World economy
Markets take the strain
Page 11

Investments
Is there a flight to quality?
Page 13

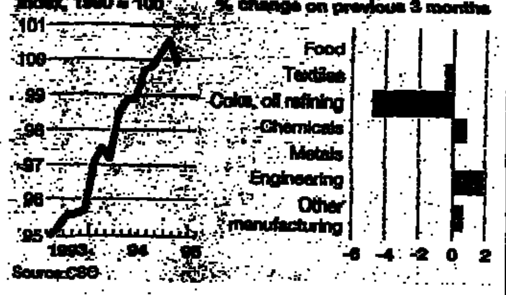
Goodbye to cash
The smart card revolution
Page 7

Polluted harbour
Hong Kong's sewage stirs up a row
Page 4

FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY JANUARY 12 1995 — D8523A

UK manufacturing slows



UK rate rise less likely as growth in industry falls

Market expectations of an early rise in British interest rates eased yesterday after a surprise fall in the pace of industrial growth. Manufacturing output in November dropped 0.7 per cent, surprising the City, which had expected the recent surge in growth to be maintained. Page 12 and Lex; Bonds, Page 22; London stocks, Page 27; Currencies, Page 32

Core US inflation lowest since 1965: The core rate of US inflation for 1994 was 2.6 per cent, the lowest level since 1965, and US consumer prices rose by 2.7 per cent, matching 1993's inflation rate, the Labour Department reported. Page 5

US-Japan summit: US president Bill Clinton, and Tomiichi Murayama, Japanese prime minister, emphasised positive aspects of their countries' relationship at a Washington summit meeting. Page 12; Japan's carmakers reject US initiative, Page 3; Honda expansion plans, Page 15

Vietnamese face return home: Up to 40,000 Vietnamese living in Germany face repatriation after Bonn agreed in exchange to give Hanoi DM100m ($65.30m) in development aid. Page 12

Christie's ordered to repay buyer of fake: London auctioneer Christie's was ordered to reimburse a Swiss dealer who paid £557,500 ($870,000) for a painting purportedly by Austrian master Egon Schiele which the High Court ruled to be a forgery. Page 6

Decision on Italian government: Italian president Oscar Luigi Scalfaro is expected to announce the formation of a new government within the next 24 hours, ignoring persistent demands of out-going premier Silvio Berlusconi for an immediate dissolution of parliament. Page 2

Caribbean protest over nuclear shipments: Caribbean governments objected to the planned passage through the region of a shipment of radioactive material from the UK to Japan. Page 5

Balladur leads the field: Prime minister Edouard Balladur is clear favourite to win the French presidential election to be held in April, according to an opinion poll in Paris Match putting him 16 percentage points ahead of nearest rival Jacques Chirac.

Israeli patrol hit: One Israeli soldier was wounded when a bomb exploded near an Israeli patrol in south Lebanon, and four guerrillas died in ensuing clashes, security sources said.

Bull bidders line up: NEC of Japan and possibly Motorola of the US are believed to be among five companies bidding for at least 10 per cent of Groupe Bull, the loss-making French computer manufacturer. Page 13

New heights for satellite insurance: Intelsat, the world's largest commercial satellite system, has set a new record for satellite insurance, agreeing to pay about $185m to insure 10 launches in the next three years. Page 3

Battle for Rolo intensifies: The board of Credito Italiano gave approval to raise its L20,000-a-share ($12.30) for Credito Romagnolo (Rolo), the Bolognese bank in response to a higher bid from a Milan-led consortium. Page 13; Lex, Page 12

Dutch veal imports halted: Tesco, a leading British supermarket chain, said it would stop importing veal from the Netherlands and use veal produced in England instead. Page 6

LME brokers to press for $40m: London Metal Exchange brokers who claim China International Trust and Investment Corporation owes them $40m are to press for payment in full when negotiations resume. Page 3

Ice hockey stand-off ended: The National Hockey League Players' Association, has agreed on contracts with US and Canadian team owners, ending a 103-day lockout and saving the North American ice hockey season.

STOCK MARKET INDICES

FT-SE 100:	3,049.4	(-11.0)
Yield	4.23	
FT-SE Eurotrack 100	1,314.96	(+2.1)
FT-SE-A All-Share	1,513.15	(-0.2%)
Nikkei	19,548.47	(+47.02)
New York lunchtime		
Dow Jones Ind Ave	3,850.25	(-16.49)
S&P Composite	459.8	(-1.88)

US LUNCHTIME RATES

Federal Funds:	5⅝%
3-mo Treas Bills: Yld	5.822%
Long Bond	95¾
Yield	7.859%

LONDON MONEY

3-mo Interbank	6⅞%	(6⅞%)
Liffe long gilt future:	Mar 100⅝	(Mar 100⅝)

NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$16.5	(16.21)

GOLD

New York Comex (Feb)	$377.3	(375.1)
London	$375.9	(374.7)

STERLING

New York lunchtime:		
$	1.557	
London:		
$	1.5603	(1.5602)
DM	2.3957	(2.3934)
FFr	8.2784	(8.2734)
SFr	2.0089	(2.0046)
Y	155.827	(156.421)
£ Index	79.3	(79.2)

DOLLAR

New York lunchtime:		
DM	1.53675	
FFr	5.3095	
SFr	1.2895	
Y	100.05	
London:		
DM	1.5354	(1.5341)
FFr	5.3057	(5.303)
SFr	1.2875	(1.2849)
Y	99.87	(100.26)
$ Index	63.1	(same)
Tokyo close Y 99.88		

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1,250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK35	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Unilever omits catalyst from its new detergent

By Roderick Oram, Consumer Industries Editor

Unilever is launching a new flagship laundry detergent without the controversial ingredient which plunged the group into a damaging war last year with Procter & Gamble, its US rival.

It has omitted the innovative catalyst on which it had staked a £200m ($312m) attempt to recapture from P&G its leadership of the £6bn European detergent market. To Unilever's deep embarrassment the manganese catalyst turned out to be flawed, leading to consumer concern and a loss of market share.

Unilever has told retailers it will continue to sell Persil Power and Omo Power, the two main products containing manganese. But launched as flagship products last spring, they will be consigned to a specialist role. Unilever said it would continue to work further on the technology.

Lever Brothers, the Anglo-Dutch group's detergent arm, has been giving secret briefings on the new product to the retail trade, garment makers and others, say trade sources. Lever declined to comment yesterday but retailers expected an announcement today.

The new detergent, to be launched under the Persil brand in the UK and Omo in most continental European markets, is designed for use in a wide range of washing from whites to coloured clothes.

The Power detergents were launched last spring as a broad-use product which were designed, thanks to the catalyst and other innovations, to outperform rivals by cleaning better and working at lower temperatures.

P&G warned Unilever of damage the catalyst caused to a small range of dyes, typically dark colours on light cotton and viscose fabrics. P&G exploited the flaw by, for example, showing off tattered underwear washed in it.

Unilever reformulated the product in June to reduce the catalyst content but P&G continued to campaign against it. The controversy cost Unilever a small loss in market share. "Consumers have clearly been confused and upset about it ... it is a very personal product," a London analyst said.

Unilever will also be aware that P&G is launching its own new detergent, Ariel Future, in the UK later this month and that the UK Consumers Association is about to unveil the results of extensive tests on the Power detergent.

"It's tough on us if Lever launches a new detergent but we're committed to completing the programme of tests on Power, the most extensive we have ever conducted," Mr Derek Prentice, assistant director of the association, said. The results will be available early next month.

Lever Brothers has told retailers the new detergent is a refinement of non-catalyst components and will be made in the manufacturing plants used for Power. It claims that tests by independent laboratories and its own staff show that the new formula cleans better and is less damaging than P&G's Ariel Future.

Stable Nafta partner 'is in US interest'

Clinton ready to extend $9bn Mexico credit

By Ted Bardacke in Mexico City, Nancy Dunne in Washington and Richard Lapper in London

We are not like Mexico, plead Brazilians ......Page 5
Buffeted by the turbulence ......Page 11

President Bill Clinton yesterday underlined US commitment to economic stability in Mexico, announcing his readiness to extend a $9bn (£5.7bn) credit line to help tackle the country's financial crisis.

The announcement helped stabilise the Mexican peso, but failed to lift negative sentiment in the stock market, which was down 2.5 per cent in early afternoon trading after Tuesday's fall of 6.7 per cent. The pressure on other Latin American financial markets eased yesterday.

"We have a strong interest in prosperity and stability in Mexico," Mr Clinton said. "It is in America's economic and strategic interest that Mexico succeeds."

He said he was prepared, if appropriate, to authorise extension "of the maturity of our existing credit facility and to increase those commitments to assist Mexico in meeting its short-term financial obligations".

The peso has fallen almost 40 per cent since a surprise devaluation on December 19, raising concern about Mexico's ability to repay short-term debt. A $6bn permanent swap line and a $3bn six-month credit from the US are part of an $18bn financing package from foreign governments and banks to back Mexico's economic programme. Mr Clinton also called on the Washington-based institutions such as the International Monetary Fund and World Bank to put in place swiftly "a substantial lending programme" for Mexico.

Brokers said the stock market fell brokers said, as investors moved out of the equity market to buy the high-yield government paper, where an auction of 28-day paper yesterday yielded 40 per cent interest rates.

Inflation fears mounted as the Mexican government announced it had authorised increases in the price of all but two products – sugar and tortillas – that make up the basket of basic consumer goods. The price of bread, milk, meat and medicine increased by 15 per cent, while that of other products rose 30 per cent.

In response, the Mexican confederation of labour, the largest union umbrella group, called on its affiliates to demand an immediate 15.3 per cent salary increase for January and a 56 per cent increase for the rest of the year.

Union worries were heightened by Volkswagen and Mercedes' suspension of production at their Mexican plants because of a sharp drop in sales. VW said it would close for a week, and Mercedes gave no date for reopening.

In Washington the continuing crisis was seized on by opponents of the North American Free Trade Agreement as further evidence that the US had allied itself to an unstable economy. Congresswoman Marcy Kaptur yesterday announced that she and 15 other congressmen would submit legislation to withdraw the US from Nafta.

Other Latin American markets rallied after the sharp falls of earlier in the week. Brady bonds – paper issued to Latin American and other governments in exchange for restructured commercial debt – recovered ground yesterday in trading in London, following this week's steep falls.

The São Paulo stock market closed up 7 per cent, while the Argentine market rallied 3.5 per cent in late trading.

Sweden's budget pain fails to convince markets, Page 2; Thais reject devaluation, Page 4; We are not like Mexico, plead Brazilians, plea, Page 5; Buffeted by the turbulence, Page 15; Bonds, Page 24; Currencies, Page 40; World stocks, Page 50


Chechen president Dzhokhar Dudayev (seated) made his first public appearance in nearly three weeks. He called for a negotiated settlement to the crisis in the breakaway republic Picture: EPA

Yeltsin moves to boost hold over army top brass

By John Thornhill in Moscow and Steve LeVine in Grozny

Mr Boris Yeltsin, Russia's president, yesterday signalled his discontent with the army's conduct of the Chechen war by splitting the general staff from the defence ministry and making it directly accountable to him.

The move heralds a reorganisation of the army supposedly intended to increase its effectiveness as a fighting force, following intense criticism of its performance in Chechnya.

The decision, which will be seen as an attack on Gen Pavel Grachev, the defence minister, was taken at meeting between Mr Yeltsin and the speakers of both houses of parliament. They also decided to establish a special commission to investigate how the Chechen rebels had been able to acquire so many weapons from Russian sources.

Deputy prime minister Sergei Shakhrai claimed last Saturday that some senior military leaders – including Gen Grachev and air force chief Pyotr Deinekin – had been responsible for giving large amounts of weapons to the Chechens in 1992.

Mr Vladimir Shumeiko, speaker of the upper house of parliament, said after the meeting that Russia's army would complete the disarmament of all "illegal armed groups" in Chech-

Continued on Page 12

Ousted Saatchi to woo clients away from agency

By Robert Peston and Diane Summers in London

Mr Maurice Saatchi is setting up a new advertising agency in direct competition with Saatchi & Saatchi, the company he founded in 1970 and from which he was ousted in a boardroom coup a week before Christmas.

The New Saatchi Agency, as it has been christened temporarily, is being formed by Mr Saatchi in partnership with three senior Saatchi & Saatchi executives – Mr Bill Muirhead, Mr Jeremy Sinclair and Mr David Kershaw – who all resigned from the company on Monday.

Mr Saatchi said: "I have been called by many clients who are anxious to know my plans. In order to avoid any more uncertainty, I have decided to announce the foundation of a new agency."

They hope to open for business in three months though Saatchi & Saatchi is trying to keep them to the terms of their contracts, which would prevent them doing any work for at least a year.

Saatchi & Saatchi said it would be using "whatever legal action is necessary" to protect its business from Mr Saatchi's new agency.

The Conservative party cannot move its account from Saatchi & Saatchi without repaying a secret £1m loan to the company, possibly squashing Maurice Saatchi's hopes of winning the high-profile account for his new agency. The loan represents unpaid fees run up by Saatchi & Saatchi as the party's advertising agency during the 1992 election campaign. The bill becomes payable if the party appoints a new agency or at the next election, whichever is earlier Page 6

Further blows to Saatchi & Saatchi yesterday were the resignations of four more executives – including Mr Nick Hurrell and Mr Moray MacLennon, joint managing directors of Saatchi's UK agency – and the decision by British Airways, one of its most prestigious clients, to terminate its contract with the company.

Mr Robert Ayling, BA's managing director, last night wrote to Mr Charles Scott, acting chairman of Saatchi, saying: "In view of the uncertainty arising from recent events ... I have asked for a general review to be carried out of the future advertising requirements of British Airways."

He added that Saatchi & Saatchi could, in theory, win back the business.

Mr Saatchi is confident he will have at least two big UK clients when the agency is launched: Dixons, the electrical retailer, and Mirror Group Newspapers. However, neither company has announced that it is moving from Saatchi & Saatchi.

"I'm most uncomfortable about the method of Maurice's enforced departure and from then on it's been downhill at a fast rate," said Mr Stanley Kalms, Dixons' chairman, who confirmed that his company's account with Saatchi & Saatchi was under review.

Mr Saatchi is financing the company with his own resources. Initially he will not be joined by his brother Charles, who was known as the creative half of the famous advertising double act.

Though the brothers have been working together on the formation of the new agency, Mr Charles Saatchi has no plans to give up his honorific title of Saatchi & Saatchi life president or his five-year contract paying £312,500 a year, which carries only an obligation to oversee the Silk Cut cigarette campaign.

Observer, Page 11
Background, Page 13

CONTENTS


De Silguy: excessively timid


Gradin: vague answers


Liikanen: reticent


Bjerregaard: not convincing


Flynn: "sexism"

Euro-MPs criticise five commissioners

By Lionel Barber in Brussels

The European parliament yesterday expressed dissatisfaction with five nominees to the new European Commission in a direct challenge to the authority of Mr Jacques Santer, president-elect of the Brussels executive body.

Leading MEPs said they were unhappy about the performance of the nominee commissioners during confirmation hearings this past week, and hinted that they could provoke a vote of no-confidence in the 20-member Commission next week unless Mr Santer ordered changes.

The five criticised nominees are: Mr Yves-Thibault De Silguy, the French technocrat who is to handle the economic and monetary portfolio; Ms Ritt Bjerregaard of Denmark, nominated for environment policy; Ms Anita Gradin of Sweden who is due to take over justice and immigration; Mr Erkki Liikanen of Finland, assigned to budget and personnel policy.

Separately, Mr Padraig Flynn, the Irish commissioner, faces demands to be stripped of responsibility for equality of opportunity and women's issues.

The parliament has the power only to accept or reject the Commission as a whole – rather than individual nominees – when it votes next Wednesday in Strasbourg. But Mr Klaus Häensch, speaker, said it would wrong to take endorsement for granted. "It should not be assumed that we are simply going to rubber stamp the Commission when it comes to the vote."

An aide close to Mr Santer said last night that he could not imagine the president-elect bowing to pressure from the parliament either to withdraw nominated commissioners or to reassign portfolios. Such a retreat would damage his authority as he prepares to take over from Mr Jacques Delors on January 24.

The criticism of individual commissioners was made public yesterday in reports agreed by the various committees which vetted nominees in question-and-answer sessions lasting up to four hours over the past week in Brussels.

Though MEPs were careful not to criticise individuals' qualifications or to reject categorically their nomination, they said several had either failed to do their homework or were unnecessarily evasive.

They also demanded a reorganisation of portfolios such as development policy and human rights – which Mr Santer would find extremely difficult in the light of the argument over responsibility for external relations which arose last year.

Mr Flynn finds himself in a delicate position after being subjected to a barrage of criticism inspired by memories of controversial remarks made during the Irish presidential election campaign won by Mrs Mary Robinson.

Mr Flynn, 55, who is married with four children, was criticised at the time for appearing to suggest that women were better suited to staying at home and making dinner.

The MEPs suggested he would be unable to carry out duties associated with equal opportunity policies. But his spokeswoman said Mr Flynn was being "crucified" for the past rather than his present performance in Brussels. She rejected MEPs' calls for the equality portfolio to go to one of the five new women commissioners. "This is political correctness," she said, "The Greens are out to get him."

Nordic journalists expressed surprise at the withering criticism levelled at Ms Bjerregaard and Ms Gradin, both of whom enjoy high reputations in their own countries. Ms Bjerregaard was described as "not very convincing" and "appeared to be representing the opinion of a government", while Ms Gradin was said to have given vague answers and did not show solid knowledge of her subject. Both appear to have taken too literally Mr Santer's general instructions not to offer hostages on policy to the parliament.

The MEPs said Mr De Silguy had given excessively timid answers on the future of Europe. Mr Liikanen was "reticent on important political issues".

Other nominees such as Mr Neil Kinnock, the former UK Labour party leader, and Mr Marcelino Oreja, the Spanish commissioner and former MEP, had a far easier ride.

Strength of Berlusconi backing may be tested

By Robert Graham in Rome

President Oscar Luigi Scalfaro last night appeared ready to send Mr Silvio Berlusconi, the outgoing Italian prime minister, back to parliament to seek a vote of confidence to establish the exact strength of his backing in the chamber of deputies.

Although Mr Berlusconi handed in the resignation of his right-wing coalition on December 22, Mr Scalfaro reserved judgment in accepting it pending talks with political parties. The president has made it known he wants to avoid an early dissolution of parliament, which has been operating for less than nine months, but has met difficulties in finding a replacement to Mr Berlusconi who would have the necessary majority.

Mr Scalfaro appeared set on ignoring the persistent demands of Mr Berlusconi for an immediate dissolution, opting instead for formation of a new government. He is due to announce his decision within the next 24 hours.

Mr Berlusconi has insisted that he be given a new mandate or that elections be held by April. Yesterday it appeared President Scalfaro had not changed his mind and would proceed on the basis that the majority of MPs were against a snap election.

This means he is likely to choose a broadly neutral figure to head a government with the widest possible parliamentary support. The names being mentioned include Mr Francesco Cossiga, former president and ex-Christian Democrat, and Prof Romano Prodi, the ex-head of Iri, the state holding company.

Neither would be easily acceptable to Mr Berlusconi and his allies. But Mr Cossiga is the person most likely to build a viable working majority, relying on parties that have brought down the Berlusconi administration and perhaps building bridges to the Berlusconi-headed coalition.

Mr Cossiga retains good relations with Mr Gianfranco Fini, leader of the neo-fascist MSI/National Alliance, and has championed Mr Antonio Di Pietro, the popular anti-corruption magistrate who could belong to a new government. Mr Cossiga has been wary about committing himself, aware that any government cannot guarantee the 316 votes majority required in the chamber. The populist Northern League, which played a big part in the downfall of the outgoing coalition, is in the process of splitting between those backing the anti-Berlusconi stance of Mr Umberto Bossi, its leader, and the pro-Berlusconi minority headed by Mr Roberto Maroni, the interior minister.

Telecom Italia told to open up to competition

By Andrew Hill in Milan

Italy's anti-trust authority yesterday ordered Telecom Italia, the state-controlled telecommunications operator, to open specialised telecom services to competition, in line with European Union rules.

The anti-trust authority said Telecom Italia had abused its dominant position by refusing to allow Telsystem, a small Milan company, to lease lines from the national operator. Telsystem wanted to offer business services, such as dedicated networks linking a company's offices.

The ruling is the most important yet by the anti-trust authority's new chairman, Mr Giuliano Amato, the former Italian prime minister. It also represents a setback for Telecom Italia, which last year managed to overturn a Milan court injunction forcing it to provide lines for Telsystem. Telsystem had argued that it risked going out of business if it was unable to lease the lines.

Telecom Italia is almost certain to appeal against the decision. The group has always claimed that it favours liberalisation, but wants to avoid indiscriminate opening of markets. However, the anti-trust authority said that Telecom Italia's behaviour was contrary to EU directives on the liberalisation of telecoms services which should have been implemented in Italy four years ago. Under EU law, directives come into effect on the date laid down for their implementation even if sluggish governments have not altered their national legislation.

According to the anti-trust authority, Telecom Italia had written to Telsystem's clients warning them that buying services from the Milan company would violate current Italian rules.

At the end of last year, Telecom Italia fought hard for concessions from the government which would offset the impact of new competition in the mobile telephone sector, previously a state monopoly. A compromise solution was proposed by a committee of Italian ministers, but has not yet been implemented.

Stet, Telecom Italia's state-controlled parent, is also preparing for further privatisation later this year, and both companies are searching for international partners to help them compete more effectively in world markets.

The government committed itself last October to selling more shares in Stet by June and the holding company recently launched an international newspaper advertising campaign, aimed at softening up investors.

Yeltsin resurrects Soviet-style politburo

Security Council represents return of rule by a secretive all-powerful body, **Chrystia Freeland** reports

Just when the arcane craft of Kremlinology, perfected during the long years of the cold war, seemed obsolete, the conservative shift in Russian politics has brought it back into fashion.

Soviet-era tea-leaf reading skills are again helpful in deciphering the language of a government which insists on describing the Chechen war as "the disarming of illegal criminal gangs and the protection of the rights of the civilian population". The revival of Soviet-speak means that a sure sign that a government official is about to be dismissed is an emphatic assertion from the Itar-Tass news agency, which has resumed its role as chief government mouthpiece, that his job is secure.

But the clearest similarity between President Boris Yeltsin's Russia in 1995 and the Soviet Union is the re-emergence of a single, secretive body of men as the source of all political power in the country. In the USSR, that organ was the politburo; today, the increasingly potent Security Council appears to be playing much the same role.

"The Security Council is the government," said Mr Michael McFaul, a senior associate at the Carnegy Endowment for International Peace in Moscow. "The situation couldn't be worse. Over the past month all the decisions in the country have been taken in the Security Council."

The growing might of the Security Council is seen both as a sign of Mr Yeltsin's attempt to concentrate more power in his own hands and as one of many indications that the military and security forces are coming to dominate Russian political life.

A further indication of this trend came yesterday when Mr Vladimir Shumeiko, the speaker of the upper house of parliament who this week entered the inner circle of power when he was appointed to the Security Council, announced that the army's general staff was to be split from the ministry of defence and subordinated directly to President Yeltsin.

As Mr Yeltsin brings more of the levers of power in the Russian state under his direct personal control, the Security Council, his inner circle of ministers, is the organ through which he rules.

"The Security Council is effectively Yeltsin's cabinet," a western diplomat in Moscow said. "Yeltsin exercises his power in Russia through the Security Council."

Mr Yeltsin's chosen cabinet – an organ which Security Council members say is very much subject to his direct personal control – is a collection of the "power" ministers, the prime minister, and, in a recent addition, the heads of the upper and lower houses of parliament. Many members of the Security Council – specifically the power ministers of defence, the interior and the secret police – are appointed and sacked at Mr Yeltsin's discretion.

The Council is run by its secretary, Mr Oleg Lobov, a figure whose most striking political trait is unswerving loyalty to Mr Yeltsin since the 1970s when they met in Mr Yeltsin's home town in the Urals.

"The president is the head of the Security Council and he is the commander in chief," Mr Lobov said. "The president is very, very much the central figure in the council."

As Moscow's most serious military entanglement since the collapse of the Soviet Union, the Chechen crisis has enhanced the power of the council. "It swings into action during a threat to national security," a western diplomat in Moscow said. "That is why it is so powerful now."

But even before the Chechen conflict had bloomed into all-out war, Mr Yeltsin had begun to demonstrate a taste for turning to the Security Council to resolve pressing issues.

This tendency first became apparent last autumn when Mr Yeltsin asked the Security Council, rather than any of the economic ministries which operate through the cabinet of ministers, to investigate a run on the rouble. The Security Council's conclusions served as the basis for a government reshuffle which weakened reformists and produced allegations of insider trading against prominent independent businessmen associated with Mr Yeltsin's political opponents.

Some Russian observers have speculated that Russia's bellicose policy in Chechnya was advocated by hawks within the Security Council in the hope that a small war would enhance the power of the Russian state and their own strength within that state.

But if that was the calculation, it has, in the eyes of many observers, sorely misfired. "What is most worrying about the Security Council is that although it was created to manage the power organs, it has proved remarkably impotent," a diplomat in Moscow said. "Instead of making Russia more authoritarian, the Chechen war seems to have exposed how weak the Russian state really is."

But Mr Yeltsin, in the most recent demonstration of his much vaunted ability to recover from almost any political crisis, may be making a comeback and he appears to be doing it by bringing the military and security structures into an ever-closer embrace.

If the military's apparent defiance last week of Mr Yeltsin's order to halt the bombing raids on Grozny was one of the humiliating examples of his personal weakness, by bringing the general staff under his personal command the president appears to be enjoying a rich revenge.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 5964481. Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41. Fax 33 93 53 35.

Swedish cuts fail to convince markets

By Hugh Carnegy in Stockholm

Sweden's minority Social Democratic government yesterday began the task of steering its controversial budget proposals safely through parliament, a vital operation if sceptical financial markets are to be convinced that painful cuts in the welfare system needed to control the country's crippling debt burden are politically viable.

Most market analysts and private sector economists expressed doubts that the budget, which includes almost SKr22bn (£1.9bn) in cuts covering such core welfare programmes as child allowances and sick pay, sliced deep enough to achieve the government's goal of stabilising the public debt, now approaching 90 per cent of GNP, by 1998.

But the budget also met a chorus of domestic complaints from traditional supporters of the Social Democrats that the cuts went too far – or at least were the most that would be acceptable during the course of the present parliament, which runs until September 1998.

Significantly for the Social Democrats, the LO, the blue-collar trade union federation, announced its outright rejection of any cuts in child allowance and a proposal to withdraw unemployment benefits from those under 20 years of age. The LO is a key ally of the government and has strong influence within the Social Democratic party. At the same time, the Left party, which minority Social Democratic governments have habitually looked to for parliamentary support, also issued a flat rejection of cutting child allowance.

Mr Göran Persson, the finance minister, is not for the time being unduly worried. The budget is not voted on as a complete package in the Riksdag, but is taken in sections. Although all six opposition parties objected to the proposal as a whole, the government is confident of finding majority support from left or right for all the individual components. The conservative Moderate party and the Liberals criticised the budget for not including enough savings.

A real problem facing the government, however, is the lack of room for manoeuvre beyond the budget. Mr Ingvar Carlsson, the prime minister, set down a marker when he said in a New Year radio interview that no more spending cuts would be necessary, on top of those in Tuesday's budget and in an earlier SKr56.4bn package of tax increases and spending cuts.

Many in the party made uneasy by the measures already taken will seek to hold the government to that promise. Just before the budget, a group of influential Social Democratic local government leaders publicly demanded a halt to cuts, saying the electorate did not accept cutbacks in the welfare system.

This stance is strongly backed by the LO. It has already explicitly threatened to step up its demands in negotiations on the next round of national wage agreements due to start next month if measures such as cuts in child allowance are pushed through. That could upset the government's hope for a quick deal that does not stoke inflation or upset industrial output.

If Mr Persson's forecast that long-term interest rates will fall from their present levels of around 11 per cent proves wrong, an important element in his budget calculations will be upset and he could be forced into the awkward position of having to bring forward more savings. At that point, political support from within Social Democratic ranks and the left for further spending cuts would be extremely hard to win – while the centre and right parties would reject any further tax increases.

EUROPEAN NEWS DIGEST

Bundesbank says recession is over

The Bundesbank president, Mr Hans Tietmeyer, yesterday declared that Germany's recession was over and said the central bank was gradually winning its fight against inflation.

"Real gross domestic product for pan-Germany grew by almost 3 per cent in 1994, and by almost 2.5 per cent in west Germany alone," Mr Tietmeyer said in a speech prepared for delivery to a symposium in Düsseldorf. He said annual inflation, at 2.7 per cent, was still too high and reiterated that the Bundesbank's mid-term goal was less than 2 per cent. But he said some progress was being made. "As early as this month we hope to get below 2.5 per cent, despite recent rises in some raw materials and agricultural products." Structural problems still existed in German industry and there were a large number of unemployed people, Mr Tietmeyer said, and public budgets in particular must be brought further under control. "The consolidation of public finances must therefore stand at the top of the agenda at all political levels," he said. Mr Tietmeyer also stated that the reduction in budget deficits should not be financed by higher taxes. *Reuter, Frankfurt*

Bonn plea to Croatia over UN

At a meeting in Bonn today with Mr Mate Granic, the Croatian foreign minister, Germany will urge its close ally to desist from threats to evict the United Nations' 15,000 peacekeepers from its territory when their mandate expires at the end of this month. The Croatian president, Mr Franjo Tudjman, has said that Zagreb will not renew the mandate for the UN Protection Force (Unprofor), which covers the one-third of Croatian territory held by Serbs. This would amount to a declaration of intent to reclaim the territory by force. His prime minister, Mr Nikica Valentic, said in Beijing yesterday that the UN had failed to fulfil its mandate. "What Unprofor is doing in Croatia is to maintain the status quo, actually providing aid to the Serbs through giving oil and food to them," he complained. However, UN officials in Zagreb will accept a new mandate if given more muscle. *Judy Dempsey, Bonn; Laura Silber, Belgrade*

Hungarian hotels sale stalled

The privatisation of Hungary's last state-owned hotel chain was on the point of collapse last night after US investors rejected last-minute conditions imposed by the country's Socialist-led government. American General Hospitality (AGH) said its earlier offer of $57.5m (£36.8m) for 51 per cent of HungarHotels minus one hotel still stood and that it would not increase the price to $67m for the whole group as requested. AGH was asked to increase its price after Mr Gyula Horn, the prime minister, demanded the deal be re-negotiated and overruled a decision by the State Property Agency to award AGH the group for $57.5m. Mr Ferenc Bartha, the government's privatisation commissioner, has interrupted a visit to the US and will present his case to the cabinet today. Few, however, now expect the deal to go through. The clumsy handling of the deal, only the second big privatisation to come up since the government took office last July, has unnerved foreign investors who fear increased political interference in privatisation. *Virginia Marsh, Budapest*

Deadlock on SEAT jobs strike

Unions and management at SEAT, Volkswagen's Spanish subsidiary, were yesterday locked in negotiations over redundancy plans but both sides held out little hope that the talks would avert a 24-hour strike next week. The dispute centres on union attempts to re-negotiate an agreement two years ago to shed 4,616 jobs from the company's 14,000 labour force following 1993 losses of Pta151bn (£727m). Union representatives now say the restructuring plan should be revised because SEAT is expected to report 1994 losses of Pta55bn and could break even this year. SEAT's management says that only 1,266 of the planned redundancies, 27 per cent of the agreed total, have been implemented so far and that a further 114 employees must be laid off immediately to improve productivity. Unions view the new round of job cuts as a sign that Volkswagen intends to press ahead with its original plans to scale back the Zona Franca plant in Barcelona and shift production to its new plant at Martorell, east of the city. Employees walked out of both plants at the weekend, refusing to work overtime that had been planned by the company to meet growing demand, and staged a one-day strike on Tuesday. *Tom Burns, Madrid*

EU software market rises 8.3%

The European market for software and computer services grew by 8.3 per cent to Ecu62.1bn (£48.87bn) last year, helped by particularly strong growth in the UK, according to a report* published this week. A further sharp increase in the number of companies contracting out their data processing operations helped the UK market post a 12.3 per cent increase to Ecu9.35bn. This compared with growth in Germany of 9.6 per cent to Ecu15.9bn, in France of 6.7 per cent to Ecu11.6bn, and in Italy of 5.6 per cent to Ecu6.8bn. Growth in the UK is forecast to lead the rest of Europe in the period 1995 to 1998. *Paul Taylor, London *Software and Computing Services in Europe, available from Richard Holway, 18 Great Austins, Farnham, Surrey, GU9 8JQ, UK. £5,600.*

EU environment rules flouted

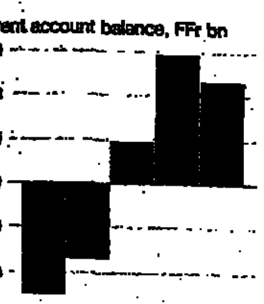
About 40 of the European Union's 64 directives on environmental reporting "are not working", according to Mr Domingo Jimenez-Beltran, the executive director of the EU's new Environment Agency. The omissions arose because member states were either not respecting their responsibilities for reporting environmental factors, such as air and water quality, or were reporting inadequately. But action to improve reporting would most likely come through indirect pressure via the media, rather than formal proceedings by the Commission. Mr Jimenez-Beltran's relatively modest aims for the agency will come as a disappointment to European environmentalists, who had been hoping for a more interventionist role. *Haig Simonian, London*

ECONOMIC WATCH

French current account boost

France

Current account balance, FFr bn



Source: Datastream *Jan-Oct

France's current account showed a seasonally adjusted surplus of FFr3.06bn (£370m) in October after a FFr7.72bn surplus in September, the economy ministry said. October's figures took the surplus for the first 10 months of 1994 to FFr46.68bn. Mr Christian Noyer, the treasury director, said the figures showed the policy of maintaining a stable currency had paid off. "They [the surpluses] are not colossal. But they are sound, consistent and confirmed," he said. A survey carried out by the national statistics institute, Insee, also released yesterday, showed that French consumer confidence revived in December to the levels recorded at the end of last summer. *Reuter, AP-DJ, Paris*

■ Inflation in east Germany was an average 3.4 per cent last year compared with 3.0 per cent in the west. Last month east German inflation was unchanged from the previous month and 3.0 per cent year-on-year, compared with 2.7 per cent in the west. In 1993, inflation averaged 8.8 per cent in the east and 4.2 per cent in the west.

■ The number of unemployed in the Czech Republic totalled 3.2 per cent of the workforce in December, down from 3.53 per cent in December 1993.

■ The unemployment figure in Slovakia was 14.5 per cent in November, up from 14.0 per cent in November 1993.

China ports threaten HK supremacy

By Simon Holberton in Hong Kong

Hong Kong's vulnerability to competition from emerging southern Chinese ports was yesterday underlined when American President Lines (APL) and Orient Overseas Container Lines (OOCL) said they would offer a trans-Pacific service linking Yantian in south China with Long Beach and Oakland in California.

The decision by the two shippers, who operate a joint trans-Pacific service, reflected the need to offer customers a better and cheaper service from southern China, they said.

Yantian is in Guangdong province, China's leading exporter. Chinese customs figures show that last year Guangdong's exports amounted to $46bn and accounted for nearly 60 per cent of China's total exports.

APL and OOCL, among the world's leading shipping companies targeting the premium end of the intercontinental market, will continue to run services from Hong Kong. The service from Yantian will start at the end of February.

Yantian, just 18km north west of Hong Kong, represents the biggest threat to the colony's domination of south China trade. One of four deep water ports selected for rapid development by the Chinese government, the port is being improved under Mr Li Ka-shing's Hongkong International Terminals (HIT), the main operator of Hong Kong's container port, at an estimated cost of $600m.

The announcement from the western shippers of Yantian's first services comes towards the end of initial work on the port. By the end of this year it will have five 50,000-tonne container berths.

Until now almost all south China trade has passed through Hong Kong, making the colony the world's largest container port, processing more than 6m 20ft equivalent units (TEUs) a year.

However, the expansion of Hong Kong's port has been delayed because China objects to the participation of Jardine Matheson, the British trading and investment company, in the ownership of the port's ninth extension (CT9). There are few indications that China will change its position.

The delay in bringing CT9 into operation – it was due to come on stream this year – has led to congestion in Hong Kong's harbour and the diversion of trade elsewhere. Although the colony could not have maintained its stranglehold, it risks losing more than might otherwise have been expected to nearby ports because of the delay.

Mr John Meredith, managing director of HIT, said the Yantian port was cost effective and congestion free. It would give shippers a choice of ports and take the pressure off Hong Kong to expand capacity.

Mr Stanley Shen, OOLC's spokesman, said the company believed the port had good potential. "The infrastructure could be better but it is there."

LME brokers to seek full payment on Citic claims

By Kenneth Gooding, Mining Correspondent

London Metal Exchange brokers who claim to be owed about $40m by China International Trust and Investment Corporation (Citic) intend to stand firm and press for payment in full when the disputing parties restart negotiations, probably next week.

The disagreement over whether Citic will take responsibility for debts owed by its Shanghai branch comes amid increasing international concern over China's willingness to respect contractual obligations.

The brokers have been receiving encouragement from the LME executive. Mr Raj Bagri, chairman, says that, as far as the exchange is concerned, "it would set a bad precedent for anyone to accept part payment".

The difficulties arose from the turmoil in the LME's "flagship" copper contract when in only five weeks in 1993 prices slumped by one quarter. Citic's Shanghai branch so far has not met the debts claimed by about 14 brokers. Those with substantial exposure include Crédit Lyonnais Rouse, part of the state-owned French bank group, and three US financial services organisations: Merrill Lynch, Lehman Brothers and PruBache Securities.

Four people connected with Citic's Shanghai branch, including the president, have been charged with corruption and detained last year. Citic called in Price Waterhouse, the accountancy and business advisory group, to investigate further on its behalf but it is understood its report has not yet been delivered.

The London brokers were promised by Citic that negotiations would begin again in mid-January. Citic has appointed Mr Xu Xiwei, an academic and one of China's former commercial counsellors to the European Union, to lead its team.

Citic argues that the Shanghai branch was "an independent legal entity under the laws of China" and therefore the parent is under no obligation to pay its debts. Mr Xu said last month that foreign counterparties had extended credit to the Shanghai branch equivalent to five or six times its equity. The London brokers insist Citic Shanghai is a branch not a subsidiary of Citic which, as one of China's biggest institutions, was considered by the brokers to be an excellent credit risk and well able to pay its debts. "This is pocket money as far as Citic is concerned," said one broker. (For 1993 Citic reported profits of Yn3.35bn ($390m) and listed assets totalling Yn82.86bn.)

The broker pointed out in reply to suggestions that Citic Shanghai dealers were encouraged by counterparties to over-trade: "Citic Shanghai's chief dealer was an aggressive, experienced dealer with many years experience of trading on the LME."

The London brokers suggest that Citic lost management control of the branch and the trader – whose role was to hedge for Chinese industrial organisations, such as copper cable makers – started to speculate. "It is not our job to police the operations of the large organisations we deal with," a broker commented. "And the [contract] positions were closed out with [Citic's] agreement."

Intelsat premiums shoot up to $185m

By Ralph Atkins, Insurance Correspondent

Intelsat, the world's largest commercial satellite system, has set a new record for satellite insurance, agreeing to pay about $185m to insure 10 launches planned in the next three years.

The deal, agreed with a number of insurers including Lloyd's of London, provides a total of $2bn cover during the telecommunication satellites' launch stages. The contract covers seven launches with the European Ariane rocket and three with China's Long March rocket.

Insurance underwriters yesterday said the deal was also significant because Intelsat has in the past often borne the risk of launches itself because of the cost of buying insurance.

Satellite policy premiums are notoriously volatile and brokers are forecasting a rise this year following last month's crash of a European Ariane rocket and its US satellite payload into the sea off French Guyana. Satellite insurers are expected to report a loss for 1994.

However, terms of the Intelsat contract were agreed before that setback – suggesting premium rates may have been softening. Mr Simon Clapham, lead satellite underwriter at Lloyd's, said: "If we had done it after the latest failure we would have got a better premium but we're not unhappy with it." Lloyd's is understood to have agreed to bear about a quarter of the risk.

Intelsat said decisions on whether to "self-insure" launches or to buy insurance policies in the commercial market depended on the premiums charged. Intelsat successfully launched a telecommunications satellite from Cape Canaveral on Tuesday.

The first of the satellites covered by the latest deal, an Intelsat 706, is scheduled to be launched in April on an Ariane rocket. The cover for each of the 10 telecommunications satellites is understood to vary between $150m and $300m. The deal was brokered by International Space Brokers, the US group.

WORLD TRADE NEWS DIGEST

Montedison-Shell plant approved

The US Federal Trade Commission yesterday approved a $3bn joint venture between Montedison of Italy and Royal Dutch/Shell, which is set to be the world's largest polypropylene manufacturer. The venture, to be called Montell, will have a market share estimated by Shell at 18-19 per cent of global sales. The two companies agreed to form the venture in December 1993, but have since been awaiting regulatory approval. The European Commission cleared the deal in June 1994. Polypropylene is a tough plastic, used mainly in the car industry for parts such as bumpers and battery casings.

Shell yesterday said it was delighted to have been given the final go-ahead on the venture, which was conceived largely as a way of reducing the Italian company's $2.2bn debt. The partners will own 50 per cent each of Montell, which would be launched as soon as possible after March 1, the earliest date permitted under the FTC approval, Shell said yesterday. The venture's headquarters will be in Holland, near the Schiphol airport, but most of the research will be done in Italy, according to Shell. *Jenny Luesby, London*

France to seek China N-deal

Mr José Rossi, France's trade and industry minister, said yesterday he would visit China this weekend to try to win the FFr10bn-FFr13bn ($1.9bn-$2.4bn) contract for a second nuclear power plant at Daya Bay. Chinese sources have suggested that Framatome, France's nuclear reactor-maker, and other French companies are close to beating Westinghouse of the US for the contract to build two reactors of 1,000MW each at the nuclear complex near Canton in southern China. But China is understood to be trying to wrest further credit financing concessions from Mr Rossi, who said yesterday that the Chinese were "very tough negotiators". French companies built the first stage of Daya Bay, consisting of two 985MW reactors, which came on stream last year.

According to French officials, the second stage of Daya Bay could be worth FFr10bn-FFr11bn to Framatome and around FFr2bn to GEC-Alsthom, the Franco-British consortium which would supply turbines and other equipment, as well as giving Electricité de France a contract to train Chinese technicians. *David Buchan, Paris*

■ Caterpillar of the US and Empresa Nacional Bazan Motores, the Spanish naval vessel builder, announced a joint venture to produce a new higher-powered, lightweight version of Caterpillar's 3600 family of diesel engines. It will be aimed at naval vessels, high-speed commercial craft and other applications. *Andrew Baxter, London.*

■ Norsk Hydro, Norway's biggest publicly quoted company, said yesterday that it was considering participation with Qatar General Petroleum to build a $400m-$600m vinyl-producing petrochemicals plant in Qatar, similar to one it operates in Norway. *Karen Fossli, Oslo*

Unctad backs CO_2 emissions market

By Frances Williams in Geneva

A worldwide market in carbon dioxide emission permits would provide the most cost-effective means of tackling global warming and transferring resources to poorer nations, according to the United Nations Conference on Trade and Development.

The Geneva-based Unctad, the main UN forum for discussing North-South issues, calls for an immediate start on a pilot scheme linking three of the biggest emitters of greenhouse gases – the US, the European Union and Japan – and some developing countries. This could then be gradually transformed into a more complete global system.

Between them the US, EU and Japan account for almost 40 per cent of global carbon dioxide (CO_2) emissions, the main greenhouse gas. This, says Unctad, means the quantity of emission credits should be sufficient to create "a liquid and viable market" worth more than $8bn a year.

The proposal will be discussed at a meeting on "economic instruments for sustainable development" starting today in Prague and attended by ministers and officials from rich and poor nations.

Unctad, which has been studying tradeable carbon dioxide permits since 1991, says use of markets can dramatically cut the cost of controlling greenhouse gas emissions and it is thus in the self-interest of bigger economies to act as "market leaders". Under the proposed system, after an overall emissions target had been set, countries would have to hold permits equal to the value of their emissions. Developing countries would initially receive a surplus of permits and industrialised countries a deficit.

Trading would automatically transfer resources from richer nations to poorer ones. Rich countries would have an incentive to buy permits as long as these were cheaper than domestic abatement measures. Poor ones could both increase emissions and sell permits to cover the cost of spending on less polluting technology.

US experience of sulphur dioxide emission permits, traded since 1992, shows the system would let global warming targets be reached more cheaply than through legal regulation or emission charges such as carbon taxes, Unctad argues.

Controlling carbon dioxide emissions: the tradeable permit system, and Combating global warming: possible rules, regulations and administrative arrangements for a global market in CO_2 emission entitlements, from UN Publications, Palais des Nations, CH-1211 Geneva 10.

Toyota's Toyoda (left) and Honda's Kawamoto: suspicious of US

Japanese car makers reject US initiative

By Michiyo Nakamoto in Tokyo

A new US initiative to open up Japan's auto parts market to foreign products has been rejected by leading Japanese vehicle manufacturers.

The heads of Toyota, Japan's largest car maker, and Honda have spoken out against plans by US trade negotiators to discuss increasing purchases of foreign auto parts directly with Japanese auto companies rather than the Japanese government.

The remarks come as US and Japanese trade officials prepare to resume negotiations later this month on improving access for foreign manufacturers to Japan's auto and auto parts markets.

It is unreasonable for the US government to negotiate directly with private companies, said Mr Shoichiro Toyoda, chairman of Toyota and of the Keidanren, Japan's powerful business association.

Toyota is willing to engage in general discussions with the US government, as it has done in the past, but will not sit at the table as a negotiating partner of the US government, a company official added.

Mr Nobuhiko Kawamoto, president of Honda, also expressed his unhappiness with US plans to take its request for more foreign auto parts purchases directly to Japanese auto makers.

"We will not enter negotiations with the US government but pursue the matter strictly on a business basis," Mr Kawamoto said. Mr Yoshihiro Wada, president of Mazda, has also expressed in private his view that negotiations between the US government and private business would be inappropriate.

Japanese auto makers argue that their parts procurement plans are their own business matters which should be free of government interference. The unfavourable reception by the Japanese industry deals another blow to the US government in its attempt to try to increase so-called "voluntary" purchases of foreign auto parts by Japanese manufacturers.

The rejection of the US plan reflects suspicion on the part of Japanese business about US intentions. On at least two occasions in recent bilateral trade negotiations, Japanese businesses have seen publicly announced forecasts to buy foreign products treated as commitments by the US government, even when they were clearly acknowledged by both sides not to be promises.

In the semiconductor arrangement, a Japanese prediction that US semiconductor market share in Japan could rise to 20 per cent was long seen by the US government as a pledge. The auto industry's voluntary plan to procure $19bn worth of foreign auto parts by the end of fiscal 1994 has been similarly viewed.

Japan agreed earlier this month to resume negotiations on cars and car parts – stalled last autumn when the US began investigations into the Japanese after-sale parts market under threat of sanctions – on condition that issues outside the scope and responsibility of the government and the establishment of numerical targets would not be discussed.

The lack of foreign penetration of the Japanese auto and auto parts markets accounts for about 60 per cent of the US trade deficit with Japan.

The yen's sharp appreciation in the past two years has helped increase the penetration of imported cars, which rose 50 per cent last year to a record 301,391 units.

However, it has done little to make US auto parts more attractive to Japanese vehicle manufacturers in the domestic market, according to Honda's Mr Kawamoto.

With the conclusion of the financial services talks on Tuesday, access to Japan's auto and auto parts markets, together with economic deregulation, is the last big issue remaining in the bilateral framework negotiations.

Transactions in Chinese currency will be allowed as experiment

Shanghai bid to encourage foreign banks

By a Correspondent in Beijing

Shanghai, China's financial hub, hopes to begin allowing foreign banks to conduct transactions in Chinese yuan as an experiment this year, a Shanghai official of the People's Bank of China, the central bank, said yesterday.

Frustrated by the slow pace of banking reforms in China, foreign banks have been pressing regulators to remove a big obstacle to their operations by clearing them to conduct business in the Chinese currency. At present, foreign banks are allowed to conduct only foreign currency transactions.

Technically, the move would open up a vast new market to foreign banks by enabling them to undertake direct transactions in yuan with Chinese citizens and companies. Mr Lin Yuli, deputy president of the Shanghai branch of the People's Bank, said the city was anxious to expand its foreign financial sector and looked forward to starting foreign bank business in yuan in 1995.

Foreign banks in the city account for 40 per cent of assets and credits of all overseas banks operating in China, according to the official New China News Agency.

But an official in Mr Lin's office said Beijing had yet to grant final approval and was likely to do so only on a selective basis among Shanghai's 33 foreign bank branches and other financial offices: "Beijing still would not allow all foreign bank branches to do Chinese yuan business to start with. It would select those bank branches with good business records in China."

The change is opposed by the country's troubled and antiquated domestic banking sector, which fears the overwhelming competition of big international banks. But, shut out of much of China's huge financial sector, foreign banks have pressed hard for an opening for more than two years. China will also be expected to further liberalise its banking sector when it wins approval to enter the World Trade Organisation.

Rival financial centres where foreign banks are allowed to open branches, such as Tianjin, are also seeking to be the first to host deregulated yuan transactions. Foreign bankers in Tianjin say Shanghai lacks the regulatory resources to oversee such a big change.

In the first half of 1995, Beijing authorities are also expected to approve three or four foreign banks to open branches in the Chinese capital for the first time. Foreign bankers consider the front-runners to be First Chicago or Citibank from the US, Bank of Tokyo, Hongkong and Shanghai Bank, and one of the three largest French banks.

Thais reject devaluation as Mexico effect spreads

By Peter Montagnon in London and William Barnes in Bangkok

The Bank of Thailand was yesterday forced to deny rumours of a devaluation as the baht, along with other Asian currencies, came under pressure in the wake of the Mexican financial market turmoil.

"There is no truth in the rumour. Those who follow the Thai economy know there is no need for such measures where we have 8.5 per cent economic growth," Mr Chaiyawat Wibulswasdi, assistant governor, said.

With the Indonesian rupiah and the Hong Kong dollar also facing moderate selling, bankers said the foreign exchange markets were providing further evidence of the contagious impact of the Mexican devaluation.

The Indonesian rupiah, which fell to Rp2,207 to the dollar yesterday from Rp2,194 at the end of last week, has been in the spotlight since last Thursday's budget. Then, Mr Saleh Afiff, Indonesia's economy minister, revealed that the country's foreign debt would exceed \$100bn (£64bn) this year. Coincidentally, the figure is close to that for Mexico's debt and both countries have a roughly similar debt-to-exports ratio of around 225 per cent.

"People are nervous," said Mr Derek Saville of Standard Chartered Bank in London. "The [Asian] economies should be able to withstand it, but I do believe they are in for a rocky ride."

Bankers argue that Indonesia's economy is fundamentally stronger than that of Mexico. Its growth rate at about 7 per cent is much higher and its balance of payments deficit at 2.5 per cent of gross domestic product is less than half that of Mexico.

The rupiah should also be supported by tax changes in the budget which encourage foreign companies to hold deposit accounts at home rather than offshore. But seven years ago Indonesia devalued by 29 per cent. There are lingering fears this could happen again; economists believe the budget was too optimistic on inflation and the prospects for the non-oil exports.

Similarly, the Thai baht, which after dipping sharply in Bangkok recovered in Europe to around Bt25.10 to the dollar, has suffered as dealers focus on the weaker aspects of the economy.

Though Thailand yesterday announced a fall in the annual inflation rate to 4.6 per cent in December from 5.4 per cent in November, more than 40 per cent of its \$34bn international bank borrowing is short-term.

The weakness of the Hong Kong dollar, which has slipped to around HK\$7.76 to the US currency from HK\$7.72 at the end of last week, reflects worries about China and the local property market. But it remained well within the limits permitted by the currency peg, which was not threatened, bankers said.

Currencies with high foreign debts looked more vulnerable, they added, citing particularly the Philippine peso.

Harare imposes drought surcharge

By Tony Hawkins in Harare

A Zimbabwean announcement of a drought surcharge of at least 5 per cent in the 1995-96 tax year has been greeted with a mixture of cynicism and dismay.

Revealing the plans on Tuesday, Mr Emmerson Mnungagwa, acting finance minister, cited the government's decision to take responsibility for Z\$4.3bn (US\$520m) of agricultural-sector parastatal debt, expenditure overruns, and higher interest charges.

The minister is to present a mini-budget to parliament next week which may include other revenue measures on top of the planned surcharge, such as higher consumption taxes.

Mr Mnungagwa admitted that the fiscal deficit would overshoot the budget target of 5.5 per cent of gross domestic product projected in the 1994 budget last July, raising his forecast to 6.9 per cent. When parastatal borrowings are included, the budget deficit will exceed 10 per cent of GDP.

The proposed tax surcharge will in effect cancel out promised reductions in corporate tax to 37.5 per cent from 40 per cent and in the top rate of personal tax from 45 per cent to 40 per cent, scheduled to take effect on April 1.

The announcement comes only weeks before parliament is dissolved for the 1995 elections expected to be held in March and April, and ahead of a donor consultative group meeting in Paris, which was originally scheduled for last December but subsequently postponed until the first quarter of this year.

The mini-budget is unlikely to have much political impact. There is no viable opposition to President Robert Mugabe's ruling Zanu-PF party, whose main support is in the rural areas, where voters will not be affected by the income and company tax surcharge.

Its impact on the donor community is problematic. Some donors will see the move as a much needed measure to tackle the country's serious deficit problem, but the more hard-nosed will criticise Harare for again raising taxes rather than cutting spending.

Business is dismayed because the surcharge will further erode disposable incomes at a time of already sluggish domestic demand and against a background of growing fears of another drought this year. Rainfall is running some 20 per cent to 25 per cent below average and long-range forecasts threaten a mid-season drought in January and February.

Palestinians and settlers squeeze Israeli government

The Israeli government is being squeezed from both sides on the expansion of Jewish settlements on the occupied West Bank, Eric Silver writes from Jerusalem. Soldiers fired stun grenades yesterday to disperse about 200 Palestinian demonstrators trying to stop work on a new site near Alei Zahav settlement.

Mr Yasser Abed Rabbo, information minister in the self-governing Palestinian National Authority, yesterday urged the Palestinian side to suspend negotiations with Israel until all development work ceased. "This is the least that should be done," he told Israel radio. "I think this is the end of the road. Either all these activities should stop and the settlers withdraw from the occupied and confiscated land, or the Palestinian Authority will have to take serious decisions."

Mr Yassir Arafat, PLO leader, has appealed to Washington to intervene. This week, he warned Egyptian President Hosni Mubarak that the settlement drive could destroy the peace process.

But militant settlers have threatened a war of defiance against their own government's attempt to freeze development.

Above: Jewish settlers from the West Bank settlement of Elqana pull out barbed wire around a large area of land farmed by Palestinians, in preparation for more building. Picture: EPA

Algerian opposition parties draft peace plan

By Roula Khalaf

Algeria's opposition parties, meeting in Rome this week, are drafting a peace plan designed to extricate Algeria from its three-year crisis. It would lead to an interim coalition government intended to set the stage for new elections.

The meeting has been condemned by Algeria's military-backed government. But opposition efforts to seize the initiative from hardliners in the government and Islamist militants could create the momentum for an eventual resumed dialogue.

The plan has been agreed by Algeria's three main political parties, the former ruling National Liberation Front (FLN), the outlawed Islamic Salvation Front (FIS) and the Socialist Forces Front (FFS), as well as the smaller Movement for Democracy in Algeria (MDA).

The full proposal is expected to be published tomorrow. Mr Abdennour Ali Yahia, head of the Algerian human rights league, who is chairing the talks, says the plan will call, as a first step, for renunciation by all parties present in Rome, of "terrorist acts" against civilians and economic targets, though not an end to all armed struggle against the regime.

In return, says Mr Yahia, the opposition will ask the government to initiate conciliatory measures including the release of the two FIS leaders, Mr Abassi Madani and Mr Ali Benhadj, under house arrest. This would allow them to regroup their organisation and bring radical splinter groups into the party fold.

This step would be followed by a truce, during which all sides including the government would renounce violence. Should the truce hold, it would lead to an interim coalition government in which the military and opposition parties would be represented. This government would then prepare for fair and democratic elections. "The government's decision to eradicate terrorism has failed," says Mr Yahia. "The only solution for Algeria is through elections."

'The agreement begins a process that can be taken up by others'

Efforts by Gen Liamine Zeroual, Algeria's head of state, to open dialogue with the FIS leaders were derailed last October by government and Islamist hardliners. The collapse paved the way for a more vigorous campaign to "eradicate" the Islamic militants. Human rights groups say the death toll from all sides is reaching 1,000 a week. Yesterday, 11 people were shot dead on a bus in the eastern town of Batna, in an attack blamed on Moslem guerrillas.

"The agreement begins a process that can be taken up by others," says Professor Remy Leveau of the Institute of political science in Paris. But the plan will need to provide concessions to hardline elements in the military, such as a promise of amnesty for past actions. "It cannot lead to anything unless the generals receive guarantees," he cautions.

Algerian opposition parties, led by Mr Abdel-hamid Mehri, the FLN's general secretary, have no illusions about the obstacles that lie ahead. "I see no signs the government is ready to talk," Mr Mehri admits. "But blood is being spilt; We won't despair because I don't see how we can continue down the same path."

Doubts exist as to the FIS' ability to influence the militants, especially the Armed Islamic Group (GIA), responsible for the Christmas hijacking of an Air France jet. "I don't think anyone, including the FIS, knows how much influence it has," notes Professor Lisa Anderson, a North Africa expert at Columbia University. Hope for the plan lies in the opposition's ability to win western backing, especially from France, the only power capable of exerting pressure on the hardline Algerian generals.

"There must be international pressure and we feel we are moving forward on that front," Mr Yahia says. Evidence exists that the Rome gathering may have backing from the Italian government. The US, having repeatedly called for dialogue with moderate Islamists, allowed Mr Anwar Haddam, a senior FIS member in exile in Chicago, to represent the FIS in the talks.

The hijacking is leading Paris to rethink its policy towards Algeria. But a policy shift may have to wait until after this spring's French presidential elections.

INTERNATIONAL NEWS DIGEST

Pakistan, US in defence link-up

The US and Pakistan yesterday announced formal measures to promote defence and security co-operation, confirming that a four-year strain in their relations was being set aside. At the end of a two-day visit by Mr William Perry, the US defence secretary, Washington and Islamabad agreed to revive a high-powered consultative group of senior defence officials which would meet from time to time to exchange intelligence information, discuss plans for joint military exercises, professional training and other regional issues of common interest.

The group, formed in 1984 at the time when the countries were close allies in their resistance to Soviet occupation of Afghanistan, has not met since Washington cut off aid to Islamabad in 1990 over concerns that Pakistan's nuclear programme was meant to produce weapons. Islamabad has always denied the charge.

Mr Perry, at a news conference, described Pakistan as the "key to peace and stability" in the south Asian region and a model of moderation to the Islamic world. *Farhan Bokhari, Islamabad*

Bomb threat to Asia flights

Washington has increased security on flights by US airlines to and from east Asia following information received from the Philippine government about bomb threats directed at them. "Although the information has not been confirmed, the US government and the airlines have implemented special security measures that we believe are sufficient to counter the threats," the State Department said late on Tuesday. Concerned Asian governments were co-operating with the carriers and with the federal authorities to implement additional precautionary measures. Airlines would conduct more extensive searches of passengers and aircraft.

Philippine President Fidel Ramos yesterday said police had arrested two people suspected of posing a threat to the security of Pope John-Paul, who is due in Manila today at the start of a four-nation tour. *Reuter, Washington and Manila*

HK warning on interest rates

The Hong Kong Monetary Authority, the colony's *de facto* central bank, has warned banks to be cautious about paying high interest rates to attract deposits. Mr David Carse, deputy chief executive, told the Legislative Council some banks were willing to pay above the Hong Kong interbank offered rate (Hibor) to attract wholesale funds, which were volatile in nature. "If I had a concern about a price war it would be mainly that there seems to be a lot of competition for the large deposits," he said.

"My concern is that those larger deposits tend to move to where the highest rate is being paid; therefore banks may make it look as if they are improving their liquidity position by getting more customer deposits. But these are quite volatile wholesale funds, and may be no more stable than normal interbank deposits". The Association of Banks abolished the interest rate cap on time deposits last year. *Reuter, Hong Kong*

Moroccan rulers to keep power

King Hassan of Morocco yesterday abandoned plans for a new government led by the opposition, instead deciding to name a government from the current parliamentary majority. The king last October announced he would name a new prime minister from one of the four opposition parties, but talks with the opposition, led by the old-guard nationalist Istiqlal party and the Socialist Union of Peoples Forces, have collapsed. According to official accounts, the breakdown is due to the opposition's insistence on replacing Mr Driss Basri, the powerful interior minister who also holds the information portfolio – a demand on which the king refused to yield.

Opposition parties fell short of a majority in the June 1993 legislative elections but won enough of the vote to warrant attention, and thus were asked by the king to join the new government. Last October King Hassan sweetened his invitation by offering the opposition the premiership on top of most other cabinet posts. *Roula Khalaf, London*

Investment for Cambodia

Cambodia has attracted commitments worth \$2bn (£1.28bn) in foreign direct investment since its new investment rules came into effect last August, Mr Vichit Ith, secretary-general of the Cambodian Investment Board, said in London yesterday. Projects include international airports at Phnom Penh and Sihanoukville as well as tourist and infrastructure developments, he added. Most of the investment had come from the region, particularly Malaysia and Singapore.

Mr Ith said Cambodia's new rules were among the most liberal in the region. The minimal amount of red tape – projects must be approved within 45 days – made investment in Cambodia attractive compared with Vietnam where the process could take over a year.

Violence connected with Khmer Rouge guerrilla activity was on the wane, he added. Mr Ith also dismissed concern over the abrupt withdrawal of licences from two joint-venture airlines with Thai companies at the turn of the year, apparently to make way for a collaboration between Royal Air Cambodge and Malaysian Airlines. *Peter Montagnon, Asia Editor*

■ Foreign investment in Taiwan rose 34 per cent last year to US\$1.63bn, the country's Investment Commission said. Japan, the inflow from which jumped 43 per cent to \$391m, was the biggest foreign investor in Taiwan last year, followed by the US with \$293m, up 41 per cent. European investment was up 16 per cent to \$243m. *Reuter, Taipei*

■ South Korea's customs-cleared trade deficit is forecast to widen to \$9.5bn in 1995 from \$6.06bn last year, according to the country's Ministry of International Trade and Industry. *Reuter, Seoul*

■ China's industrial output rose 17.5 per cent in 1994 to Yn1,618bn (£123bn) compared with an increase of 21.1 per cent in 1993, the State Statistical Bureau said. *Reuter, Beijing*

■ Vietnam has reduced land rent by 25 per cent to make the country more competitive for foreign investment, the Finance Ministry said. *Reuter, Hanoi*

HK sewerage plan falls foul of opposition from Beijing

China wants HK\$22bn project delayed while alternatives are considered, writes **Simon Holberton**

When in the 13th century the Chinese decided on "fragrant harbour" as the name for what today is called Hong Kong, they could not have known how inappropriate the name would turn out to be.

The colony's majestic harbour is one of the filthiest waterways in the world. The government estimates that 1.5m to 2m litres of untreated sewage and industrial effluent flow into the harbour each day through the city's drains. In the summer, swimmers at Hong Kong's beaches are warned about "red tides".

But only in Hong Kong could a plan to clean up this mess, by re-sewering the colony's households, become the subject of diplomatic controversy. To the Hong Kong government's dismay, at a meeting in London last month to discuss the colony's handover, Chinese officials called on the British to halt the HK\$22bn (£1.8bn) sewerage plan pending talks with Beijing about the details.

The Hong Kong government argues that an important part of the project can be completed before 1997 and there is no need to consult. Underlying its position is the danger that if the project is further delayed it may never get built.

At the centre of objections to the plans is Trafalgar House, the UK construction company. Over the past 15 months it has been questioning the basis of the government's plans, forced it to think again and, for good measure, briefed China on alternatives.

Trafalgar possesses technology for the biological treatment of sewerage which could be used in Hong Kong. . "We have spent a great deal of money to show them it can be done," says a senior executive. "All the things they said 15 months a ago could not be done, can be." But a government official describes Trafalgar's involvement in the sewerage debate as "self-interested rubbish".

Known as the strategic sewage disposal scheme, the plan to re-sewer Hong Kong is the biggest sanitary engineering project in the world. It involves the collection of waste, its transmission to a single treatment centre on Stonecutters Island, west of Kowloon, and its eventual disposal in a deep water channel off the coast of China.

The current imbroglio – which involves China, Trafalgar and environmentalists – turns on the nature of the facility on Stonecutters Island. Change the nature of the treatment, say those who oppose it, and you do away with the need to centralise it on the island and the need to pipe the treated product into a deep water channel.

The government wants to centralise treatment on the island and use lime as the agent to treat the sewage. Lime disinfects and assists in the sedimentation of solids, but the government's main reason for using lime rests on its treatment of heavy metals, present in industrial discharge.

The critics, who include the environmental pressure group Friends of the Earth, charge that the government has devised yesterday's solution, not the one relevant to Hong Kong in the future. Heavy metals were a problem when the plan was taking shape in the mid-1980s, but, with the migration of most of Hong Kong's manufacturing to southern China, the problem of heavy metals is nowhere near as acute as it used to be.

Lime, according to Friends of the Earth, poses a number of problems, chief among them the large amount of sludge and ammonia produced by its use. Ms Lisa Hopkinson, of Friends of the Earth, says the environmental lobby is critical of the government's whole approach to the problem: "They have come up with an engineering solution to a science problem," she says.

China goes further. Mainland officials on the Chinese side of the Joint Liaison Group, which is co-ordinating the handover from Britain, have questioned the need for a centralised site on Stonecutters. They want a number of smaller sites closer to source.

Moreover, Chinese officials have objected to the proposed oceanic dumping of the partly treated sewage in the South China Sea off the coast of Guangdong province.

They claim it will hurt fishing fields in the area, which the Hong Kong government denies.

"We've made sure that it would go into a very deep oceanic channel," says Mr Tony Cooper, deputy secretary for planning in the environment and lands branch of the government. "In civil engineering terms it is not difficult and it is environmentally effective. The ocean has a way of dealing with sewage."

Under pressure from the Legislative Council, Hong Kong's lawmaking body, which had been briefed by Trafalgar, the government last year commissioned an independent consultant to evaluate the planned facility on Stonecutters.

Its report has yet to be released but an early draft indicates that Trafalgar and Friends of the Earth won the argument over the use of lime – the consultants do not believe heavy metals pose a problem. Also, in four of the eight short-listed alternatives they endorse methods of biological treatment as suggested by Trafalgar; the others proposed a different sort of chemical treatment.

Mr Cooper maintains that "it would be a bold person who went for a system that does not allow for toxins and heavy metals". He points out that there are still 50,000 factories in Hong Kong, many in high-rise buildings where the ability to dispose of toxic waste other than down a public drain is limited.

The government may yet have to back down on its preferred plan for treatment, but even its critics agree that it is too late to abandon the Stonecutters site in favour of Beijing's multiple-site suggestion.

More than HK\$2bn has already been spent on a project designed to collect sewage and pipe it to the island. Foundation work for a treatment plant is also under way.

But the politicisation of the issue is a consequence of past inaction, for which the Hong Kong government is responsible. "We under-invested in the past and are trying to make up in the 1990s for what we did not do in the 1970s and 1980s," says Mr Cooper.

Republican tax plans challenged

The Contract with America could cost $726bn over 10 years. **George Graham** reports

The Clinton administration has raised its estimate of the cost of tax changes proposed by the Republicans in their Contract with America to a total of $726bn (£465bn) over the next 10 years.

In the administration's most detailed riposte so far to the Republican agenda, the Treasury challenged several central proposals in the Contract on the grounds of fairness, simplicity and efficiency, and warned that the cost of the measures would balloon to more than $100bn a year in the next century.

Mr Leslie Samuels, assistant secretary for tax policy, told the House of Representatives ways and means committee, which controls fiscal legislation, that the administration shared some of the Republicans' goals, and would try to work with the committee to craft legislation.

But Mr Samuels raised strong objections to proposals to cut capital gains taxes, change depreciation rules for investments, increase the exemption for estate taxes and allow taxpayers to earmark up to 10 per cent of their taxes to go towards reducing the public debt. Overall, Mr Samuels said, the tax proposals in the Contract with America would increase complexity, encourage a proliferation of artificial tax shelters and unfairly benefit families with incomes over $100,000.

"The richest Americans get half of the benefits of the tax cuts contained in the Contract. That doesn't meet the fairness test," Mr Samuels said.

The Treasury said that the administration supported with modifications the Republican proposals for a $500 per child tax credit, an expansion of tax-sheltered savings accounts, an increase in the expenses limit for small business and more favourable tax treatment for long-term care insurance.

But Mr Samuels raised serious concerns over a plan to change depreciation methods to a "neutral cost recovery system," which would reduce the effective tax rate on income used for investment to zero.

The system offered such a large tax subsidy that it could encourage investment in uneconomic activities, such as the tax shelters of the 1980s, said Mr Samuels.

In addition, although the proposal is structured to increase government revenue by $18.4bn between 1995 and 2000, the Treasury's office of tax analysis estimates that it would lose $138.8bn from 2001 to 2005.

Mr Samuels also challenged the Republican plan for a 50 per cent exclusion from capital gains tax and for indexation of capital gains to take inflation into account as "too generous, too complex and not well targeted".

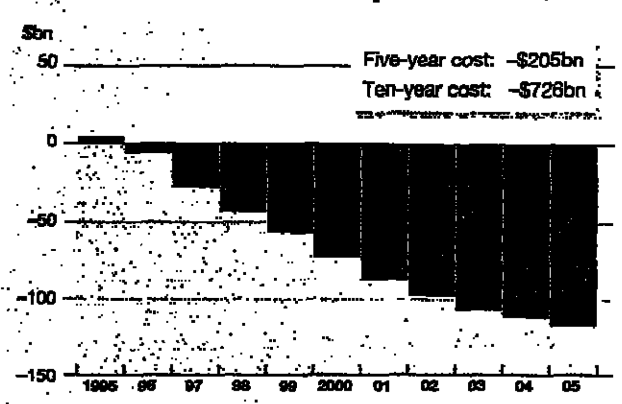
Indexation, he said, would create a nightmare of paperwork, while the 50 per cent exclusion would favour the richest taxpayers, encouraging them to convert ordinary income into capital gains.

Although the Treasury calculates relatively small revenue losses from the capital gains tax proposals in the first few years, over the period 1995-2005 it estimates the total loss of government revenue at $183.1bn.

The Treasury analysis focuses only on specific tax measures included in the Contract with America. Other general measures in the Contract, notably a constitutional amendment requiring a balanced budget, also have fiscal consequences.

The Congressional Budget Office last week published its own estimate that reaching a balanced budget by the year 2002 – the earliest a constitutional amendment could take effect – would require $1,200bn of deficit reduction over the next seven years.

Contract with America: impact on revenue



Source: US Treasury Department, office of tax analysis

Core US inflation lowest since 1965

By George Graham in Washington

US consumer prices rose by 2.7 per cent last year, the Labour Department reported yesterday, matching 1993's inflation rate despite the acceleration of economic growth and the build-up of capacity pressures in the economy.

The department's consumer prices index rose 0.2 per cent in December after seasonal adjustment, while the core rate of inflation, excluding volatile food and energy prices, rose by just 0.1 per cent.

That left core inflation for the whole of 1994 at 2.6 per cent, down from 3.2 per cent and the lowest level recorded since 1965.

Economists had been warning all year of the development of inflationary pressures as commodity prices rose, US factories moved closer to full capacity and unemployment fell.

To choke off inflation before it appeared, the Federal Reserve raised short-term interest rates in six stages by a total of 2.5 percentage points, and some analysts expect further tightening at the next meeting of the Federal Reserve's policy committee due to be held on January 31.

Actual inflation, however, remained under control throughout the year, and even slowed down in the last quarter.

The Congressional Budget Office, in its economic outlook to be released later this month, forecasts an acceleration of inflation to 3.1 per cent in 1995 and 3.4 per cent in 1996.

While food prices rose 0.9 per cent in December, largely because of a sharp rise in fruit and vegetable prices in the wake of tropical storm Gordon's damage to south-eastern crops, over the year as a whole they rose only 2.7 per cent.

Energy prices, which had fallen in 1993, dropped by 0.3 per cent in December to show an increase of 2.2 per cent for the whole of 1994.

Medical care remained one of the sectors where prices rose fastest, gaining 0.6 per cent in December and 4.9 per cent over the year. That, however, represented a slowdown from 5.4 per cent in 1993 and 6.6 per cent in 1992.

Transport costs rose by 0.3 per cent in December and by 3.8 per cent over the whole year, an acceleration from the pace of 2.4 per cent recorded in 1993.

The Labour Department's consumer price index has been widely criticised by economists for overstating the pace of inflation. Mr Alan Greenspan, Federal Reserve chairman, this week said the official CPI might be exaggerating inflation by ½ to 1½ percentage points.

An adjustment of 1 percentage point to the index – which is used for calculating cost of living adjustments to government pensions and social security payments – would, he said, reduce the level of the federal budget deficit by about $55bn (£35.2bn) after five years.

AP and EPA

California faces renewed flooding

More rain pelted the flooded valleys and mud-oozing hillsides yesterday in southern California's worst weather in years, keeping hundreds of people out of their homes, agencies report from Los Angeles and San Francisco.

The sky cleared for a time over much of hard-hit northern California but more rain was forecast, with the heaviest downpours expected in the south.

At least six people have died along the West Coast, including a 12-year-old boy who drowned while trying to cross a creek and a homeless man swept away by a raging river. One woman trying to cross a creek in Santa Clarita (top picture) narrowly escaped death when she was rescued by a fireman.

Dozens of big roads, including sections of the Pacific Coast Highway (bottom picture) and busy US 101, were closed by high water and mud.

President Bill Clinton declared a disaster in California on Tuesday and ordered federal aid to supplement state and local recovery efforts.

Farmers say the heavy rains could lead to higher prices for fruits and vegetables.

Some vineyards in Napa and Sonoma counties have been flooded, but winemakers say there is no reason to be alarmed since the vines are dormant in winter.

Helms to reorder foreign priorities

By Jurek Martin in Washington

Senator Jesse Helms of North Carolina yesterday took the chair of the Senate foreign relations committee and instantly gave priority to the promotion of US commercial interests overseas.

"It's a bit of a mouthful," he said in announcing that one subcommittee would be rechristened "international economic policy, exports and trade promotion," with the last two responsibilities replacing "trade, oceans and the environment" in the old subcommittee title.

He cited agricultural exports, of which he has always been solicitous, as needing attention. The overall committee, he said, should serve as "the American desk" in Congress.

Mr Warren Christopher, secretary of state, has frequently used the same words to describe his management of his department.

Mr Helms also said the five regional sub-committees, each now chaired by a Republican, would be given oversight over US aid policies. He believes most foreign aid is a waste of money.

It emerged yesterday that Mr Christopher, who was again forced to deny press reports that he was about to resign, was considering a departmental re-organisation that would abolish the aid, arms control, and information agencies as separate entities. This is part of Vice-President Al Gore's drive to rationalise government, but it also corresponds with Republican demands to cut overseas spending, such as on foreign aid.

Mr Helms, in opening remarks, sought to dispel the notion that he intended to transform the foreign relations committee into an ideological platform for his conservatism – which stands in contrast to the gentlemanly, if not always effective, rule of his predecessor, Senator Claiborne Pell of Rhode Island.

He dismissed as "wishful thinking" media speculation "about the dark and dangerous things that they are sure are about to happen". Such thoughts, he said, "almost always end up being wrong and it's wrong this time". He defined the committee's task as "to respond to the American people's mandate for a clear and meaningful foreign policy".

When Senator John Kerry, the Massachusetts Democrat, complained that the subcommittee reorganisation risked downgrading international crime, especially that based in Russia, as a foreign policy priority, Mr Helms said that was not his intention and ordered the committee staff director, Admiral "Bud" Nance, to take the issue up with Mr Kerry.

SALEROOM

Adonis left on the shelf in New York

By Antony Thorncroft

Cyril Humphris, one of London's leading dealers in sculpture and high quality works of art, offered the best items from his private collection, and from his stock, for sale at Sotheby's in New York on Tuesday night, with mixed results.

The auction totalled $4.34m (£2.7m), and 58 of the 75 lots found buyers, but there was little interest in the two main objects, and in terms of value the auction was less than 50 per cent sold. A life-size marble group of Adonis and his hound, created in Florence by Bandini in 1598 and estimated at over $2m, was unsold, as was a pair of bronze reliefs made around 1555, which Humphris attributed to Ammanati and which he maintained included a contemporary portrait of Michelangelo (estimate $1m plus).

There is obviously a limited demand for such erudite objects, and the fact that they came from a dealer, and were hardly fresh on the market, contributed to the failure of the more expensive works.

Top price was the $442,500, on target, for a bronze bust by Fanelli of Charles II when still Prince of Wales. Biggest surprise was the $140,000 which secured an early 16th century Limoges enamel plaque, probably depicting Marguerite, Queen of Navarre, which had been estimated at $20,000.

Caribbean countries in protest at N-shipments

By Canute James in Kingston

Caribbean governments have objected to the planned passage through the region next month of a shipment of radioactive material from the UK to Japan, the first of several planned over the next 15 years.

Governments and environmental lobbyists say that the safety of the shipment, said to be plutonium, cannot be guaranteed. They intend to take their objections to the United Nations and other international forums.

"We're going to make loud and vociferous noises about this nuclear material shipment," said Mr Ralph Maraj, Trinidad and Tobago's foreign minister. "We intend to clamour very loudly against the proposed shipment. We don't want this in the Caribbean at all."

The shipment is part of a Japanese effort to acquire plutonium from reprocessing of spent nuclear fuel which it ships to France and to the UK. The impending shipment, which has irritated Caribbean governments, is material extracted at the thermal reprocessing plant at Sellafield.

Although the material is being carried in glass blocks placed in stainless steel barrels, which are said by the shippers to be safe, the concern in the Caribbean that the region will not able to deal with any accidents in which the material is released.

"The material is so radioactive that a single glass block could give a person standing close to it, a lethal dose of radioactivity in less than one minute," said Mr Damon Moglen, nuclear campaign co-ordinator for Greenpeace International, the environmental protection lobby.

Cogema, the French nuclear fuel company which has a reprocessing plant at La Hague in northwestern France, has rejected as unfounded the charges that the shipments are unsafe. About 3,000 stainless steel barrels of nuclear material are scheduled to be shipped to Japan over the next 15 years from Sellafield and from La Hague.

Mr Jean-Louis Ricaud, director of reprocessing at Cogema, said that Greenpeace's report contradicted findings of surveys both in France and other countries used in fixing safety standards.

Peso crisis has drawn attention to problems of another Latin American economy, writes **Angus Foster**

We are not like Mexico, plead Brazilians

Brazil's government has spent the last week behaving like a man condemned for a crime he did not commit. Mexico's financial crisis has caused Brazil's main stock market in São Paulo to lose a third of its value in a fortnight, despite Brazilian claims that the two economies are in very different shape.

"Simplistic, naive and rushed," is how finance minister Mr Pedro Malan dismissed comparisons between them.

Brazil is indeed in a different position to that of Mexico, and no analysts are predicting a replay of the peso's problems, at least in the short term. Brazil has foreign exchange reserves of about $40bn and a private sector which has sharply lifted productivity since 1990 and is competitive abroad.

The stock market collapse, rather than reflecting concern about Brazil, is more related to foreign investors taking profits to make up for losses elsewhere in the region.

However, Mexico's problems, which stemmed from the peso's overvaluation against the dollar and a reliance on foreign capital inflows, have drawn attention to weaknesses in Brazil's economic policy and its new currency, the Real.

The Real has cut monthly inflation from 50 per cent before its July launch to less than 2 per cent last month. But the government has lacked support for a parallel, and much needed, fiscal reform to underpin its budget. Instead, the Real's credibility stemmed from the country's foreign reserves. Since launch, the government has allowed the currency to appreciate about 15 per cent against the dollar to let cheaper imports keep a lid on domestic prices.

This appreciation is starting to hurt Brazil's exporters, especially in less competitive sectors such as shoes and textiles. In November the country recorded a trade deficit of $262m, the first in nearly eight years, followed by a smaller deficit last month of $47m.

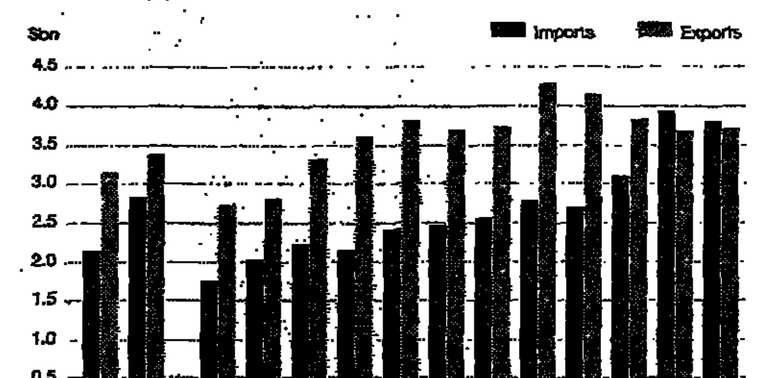
Cardoso: saddled with a fragile budget in need of reform

These deficits owe more to the explosion in imports than declining exports. But their appearance will renew calls from some ministers and São Paulo, the country's economic heart, for the exchange rate to be relaxed to safeguard Brazil's industry.

"Mexico can be a good lesson for Brazil. The exchange rate policy should be continued for three or four more months, but the government must then make the changes," according to Mr Armando Fernandes Júnior, executive vice president of Bradesco, the biggest private sector bank.

Such arguments may not yet convince the economists who planned the Real and who now run the finance ministry and central bank. They argue that exporters should become more competitive rather than complain about exchange rates. And, with Brazil looking to attract foreign capital for infrastructure and privatisation plans, they say the present exchange rate would lead to an annual current account deficit of only $9bn, less than 2 per cent of gross domestic product compared with Mexico's near 8 per cent last year.

Brazilian trade: imports overtake exports



Source: Secex

President Fernando Henrique Cardoso is thought to be more sympathetic to industry's complaints. But his problem is that the government's budget is fragile and urgently in need of reform. Before that is done, analysts say any easing of the exchange rate would risk undermining confidence in the Real and could trigger inflation.

"The question is how do you get out of the straitjacket of the overvalued currency?" said Mr Eduardo Giannetti, a São Paulo economist. "It has to be done gradually and it has to be accompanied by a thorough and transparent fiscal reform. It also probably needs high interest rates and that probably means a recession."

The government managed to balance its budget last year, against most expectations. But this was done by spending delays rather than cuts and some of these spending commitments will fall due this year. An interim tax on financial operations, which raised more than R5bn (£3.8bn) last year, has run out. The government must also give public employees a 22.1 per cent pay rise, which will cost another R5.4bn, to make up for inflation since the Real's launch.

This year's budget deficit is therefore likely to range between R10bn and R15bn, or 2 to 3 per cent of GDP, depending on tax revenues and how much the government has exaggerated the shortfall to avert spending demands. Mr José Serra, planning minister, has pledged to find ways to balance the budget. "Money doesn't grow on trees," he said.

The real problems in the government's budget, however, are structural. The central government is forced by the constitution to devolve to local government more of its revenues than it can afford. And the tax system, which is extremely complicated and breeds evasion, is based on regressive sales taxes.

Mr Cardoso has pledged to address some of these problems once the new Congress opens next month. He and Mr Serra are thought to favour an overhaul of the tax system and abolition of the constitutional constraints on government spending.

However, the government has not yet made any specific proposals on the changes so it is difficult to assess whether they will be passed by Congress. Mr Cardoso's popularity has been high since his election victory in October. Supporters think he will have most of the reforms approved by the middle of the year.

But he needs three-fifths support in Congress for constitutional changes. This may be difficult with unpopular proposals such as delaying the retirement age. Until the content and timing of the reforms are clearer, ministers may be stressing the differences between Brazil and Mexico for longer than they might like.

Tory party caught up in Saatchi battle

By Robert Peston
Political Editor

The Conservative party cannot move its account from Saatchi & Saatchi – the advertising agency going through a heavily publicised boardroom battle – without repaying a secret £1m loan to the company, possibly squashing Mr Maurice Saatchi's hopes of winning the high-profile account for his new agency.

The loan represents the unpaid fees run up by Saatchi & Saatchi as the party's advertising agency during the campaign for the 1992 general election, which the Conservatives won under the leadership of Mr John Major.

Under an arrangement negotiated between the Conservatives and Saatchi & Saatchi the bill becomes payable if the Conservatives appoint a new agency or at the next election, whichever is earlier.

The party is in financial difficulties, as corporate donations have slumped in the past two years. Last March it had a £15m overdraft with Royal Bank of Scotland and would find it difficult to pay the Saatchi & Saatchi bill, according to party officials.

"The only way Maurice could win the Conservative account is if he personally repays the debt to Saatchi & Saatchi," said one of Mr Saatchi's associates.

Mr Saatchi had a meeting yesterday morning with Mr Jeremy Hanley, the Conservative Party chairman. However, a party official said no formal review of its account with Saatchi & Saatchi has been initiated.

The existence of the Conservative loan has never been disclosed in Saatchi & Saatchi's accounts. In its annual report for 1993, the company said it made no political donations.

There is a "notional interest charge on the loan", according to a marketing consultant. He added that it was being "very slowly repaid".

The Saatchi executive who works most closely with the Conservative party is Mr Steve Hilton. Mr John Maples, the Conservatives' deputy chairman – and author of last autumn's memorandum leaked to the Financial Times which recounted the gloom of Conservative supporters – also works for Saatchi & Saatchi.

Saatchi & Saatchi was appointed as the Conservatives' agency in 1978 by Baroness Thatcher when the Labour party was in power. The company invented the "Labour isn't working" slogan, which was prominent in the campaign for the 1979 election, the first won by the Conservatives under the leadership of Lady Thatcher.

Lawyers say that loans to political parties do not represent a direct political contribution and therefore do not need to be disclosed under company legislation.

Christie's is ordered to repay art buyer

By Antony Thorncroft

Fine art auction houses may face a string of lawsuits from disgruntled buyers after London's High Court yesterday ruled against Christie's in a dispute over the authenticity of a painting.

Mrs Marie de Balkany, a Swiss art collector, paid £500,000 ($780,000) in 1987 for the painting, entitled "Youth kneeling before God the Father," catalogued by Christie's as signed and dated 1908 by the Austrian artist Egon Schiele, and representing "an important moment in the artist's development".

She later discovered that Ms Jane Kallir, an expert on Schiele, doubted it was his work. Investigation suggested that 94 per cent of the canvas had been overpainted by a later artist, including the signed initials, E.S.

Mr Justice Morrison ruled that the amount of overpainting made the picture a forgery, which he valued at around £40,000. He ordered Christie's to take back the painting and pay Mrs de Balkany £557,500 – the purchase price plus the £57,000 premium and expenses.

The Judge decided that "on balance, and primarily because Christie's take responsibility for the catalogue description… there was an assumption of responsibility such that Christie's become liable to a buyer for negligent mis-statement in the catalogue entries."

Christie's had argued *caveat emptor* (buyer beware), and that Mrs Balkany, by leaving it longer than five years to complain, was not covered by the limited guarantee given in its catalogue. It also argued that the fact that the original outline was by Schiele made the work authentic.

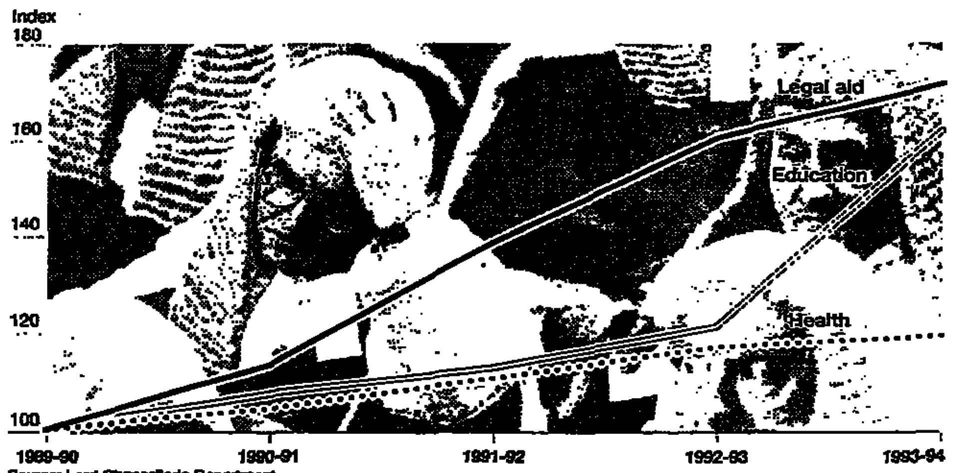
The case has implications for the auction houses, which have long been criticised for the small print in their catalogues, which makes it very difficult for a buyer to seek redress on the rare occasions that a catalogue entry is less than accurate.

Christie's said it would "consult counsel as to further action". An appeal is likely.

Publicly funded law services face shake-up

By Robert Rice,
Legal Correspondent

Legal aid spending: budgetary increases since 1989



Source: Lord Chancellor's Department

Far-reaching reforms of the legal aid system in England and Wales were outlined yesterday by Lord Mackay, the Lord Chancellor.

Among his proposals are a cap on the legal aid budget, due to rise to £1.6bn by 1997-98, and the introduction of a contracting system for legal work which is publicly funded. Speaking in London, the Lord Chancellor said the costs of legal aid had risen unacceptably, doubling from £685m in 1990-91 to more than £1.3bn this year.

The present scheme was too rigid and heavily slanted towards certain types of proceedings such as personal injury and matrimonial cases, he said.

Money was channelled to lawyers and expensive court-based solutions when other, less formal, means – such as mediation – might be as effective.

The use of contracts for blocks of work would enable the Legal Aid Board, which administers civil legal aid, to operate within an unspecified cash limit and to set spending priorities.

Each of the 13 regional legal aid area offices would be allocated a budget which they would use to buy publicly funded services in their area. The offices would contract work with local suppliers, who might be lawyers or other advice agencies such as Citizens' Advice Bureaux.

Money would be allocated initially by population in an area and then divided according to national and local needs.

Proposed changes could also refuse legal aid to anyone leading what seems to be an affluent lifestyle and might require legal aid applicants to transfer ownership of any undisclosed assets to the legal aid authorities, from which costs could be recovered.

The Law Society, which represents many of Britain's lawyers, criticised the plans, which it said would "ration justice" as money ran out at different times in different parts of the country.

Mr Paul Boateng MP, Labour's legal affairs spokesman, said that Treasury-driven reforms were no substitute for a comprehensive, consumer-led review of legal aid.

Further details will be published in the spring.

Lawyers fear that if solicitors are obliged to undertake all cases which come through the door, the allocated funds may run out half way through a year leaving people with deserving cases without access to justice.

This was the experience in New South Wales, Australia, where a cash-limited scheme has been tried.

If, on the other hand, service providers are to be given control of their own budgets, allowing them to set their own case priorities, the temptation will be for them to sit on legal aid money for fear of running out later in the year.

Either way, lawyers argue, the result will be rationing of justice.

Editorial Comment, Page 11

Rail regulator seeks to calm fear of tickets curb

By Charles Batchelor,
Transport Correspondent

The rail regulator, Mr John Swift, yesterday sought to allay fears that there would be a sharp fall in the number of stations selling the full range of tickets when the railway network is privatised.

Mr Swift, whose job is to defend the interests of travellers, unveiled a consultation document on railway ticketing which included an option to reduce the number of stations selling long-distance tickets to only 294 out of a total of 2,500.

Rail passenger groups, opposition MPs and transport unions reacted angrily to the consultation document, accusing Mr Swift and the government of seeking to reduce the level of railway services.

Under rail privatisation British Rail's train services are to be split among 25 separate operators which will lease stations on the routes they run.

The operators will be expected to provide a specified level of service at these stations. "My prime intention is to allay any fears the travelling public might have that I am committed to a plan under which through tickets will be available only through 294 stations," Mr Swift said.

"One of my public interest objectives is to promote the use of the railway network including through ticketing."

Mr Swift said that, while the aim of privatisation was to improve services to customers, the new train operators could not be expected to commit themselves to all of British Rail's arrangements.

The aim of the regulator was to set a minimum standard in the hope that commercial considerations would persuade operators to provide a higher level of service at reasonable cost. "I am trying to arrive at a balance between compulsion and incentive," he said.

ABB Transportation said last night that the closure of its York train and tram works seemed inevitable. The plant employs 750 people. The statement from the company, an offshoot of the Swiss-Swedish engineering giant ABB was made in response to an unexpected statement from British Rail that ordering new Networker trains for its Kent Lines subsidiary in south-east England could not be justified for the next four to five years.

A possible order for Networker trains for these lines had been the only immediate order prospect for the York works. Its present order book, placed by British Rail for 40 Networker commuter trains to be used on south-east England commuter lines and worth £150m, will expire in October.

Pensions probe splits watchdogs

By Alison Smith

City regulators are divided about how to take action against life insurance companies and independent financial advisers which gave customers poor personal pensions advice.

The split has already created acrimony and has given ammunition to critics of the existing two-tier regulatory system in which responsibilities are split.

Imro, the self-regulating organisation for the fund management industry, is nearing the end of formal investigations of the personal pensions business of several of its members. It may decide to take disciplinary action against them later this year.

By contrast, the Securities and Investments Board, the chief City watchdog, thinks regulators should try to retain the goodwill of the retail financial services sector in identifying and compensating the victims of poor advice. The latter view is shared by the Personal Investment Authority, the new watchdog set up to protect private investors. The authority will be responsible for any disciplinary action to be taken against life offices or advisers who mis-sold pensions under the regulation of its predecessors and SIB.

Some regulators believe that Imro's tough stance stems partly from the criticism it faced for its role in the Maxwell affair. It was accused of failing to supervise closely enough Robert Maxwell's fund management companies. Its then chairman, Mr George Nissen who resigned in June 1992, admitted that Imro was "open to a share of reproach".

The PIA and Imro have agreed to issue a joint statement in the next few months, setting out a consistent approach to discipline. But they have not decided what to put in it.

Financier's deals were 'nonsense'

Banks which lent money to the Arrows trade finance company were defrauded when Mr Muhammed Naviede, its former chairman, embarked on large-scale property speculation instead of funding other companies as he told his creditors, a London jury heard yesterday, John Mason writes.

Mr Richard Latham, prosecuting, said the Arrows chairman secretly changed the nature of the business he was conducting between 1989 and 1991. He phased out genuine trade finance transactions almost completely and used his bank borrowings to finance commercial property deals, Mr Latham said.

Mr Naviede denies eight charges including obtaining credit facilities by deception from banks such as NMB Postbank and Girozentrale of Austria, fraudulent trading and deceiving creditors.

Mr Latham said the property deals arranged by Mr Naviede were commercial nonsense and gave the banks no security to support their lending. None of the banks would have agreed to provide finance totalling over £73m had they known the truth of Arrow's operations, he said.

"The banks had no idea this was going on. They thought this £73m was going to trade finance customers all over the country. It was a mammoth deception of the banks," Mr Latham told the court.

By the time Arrows collapsed in July 1991 with debts of £100m, half of its bank borrowings had been spent or lost through the property deals, he said.

The trial continues today.

Ex-minister denies link with KGB

Ms Joan Lestor, a prominent Labour MP and former junior minister, said last night she was taking legal advice on allegations made in a book that she had represented the interests of the KGB in parliament, our Westminster Correspondent writes.

She said the allegations had been drawn to her attention by Mr Rupert Allason, a Conservative MP and author. They originally surfaced in *Free Agent*, a book published two years ago by Mr Brian Crozier. Mr Allason has indicated for some time that he would use parliamentary privilege to name five present and past Labour MPs who he claims had suspiciously warm contacts with the KGB. He made his promise shortly after the affair surrounding Mr Richard Gott, who resigned last month as the Guardian newspaper's literary editor in the wake of allegations by Mr Oleg Gordievsky, the KGB's station chief in London who subsequently defected. Mr Allason had planned to make public his allegations today, but said he was holding off pending any decision by Ms Lestor on legal action.

UK NEWS DIGEST

Stores group halts imports of Dutch veal

Tesco, one of Britain's largest supermarket chains, said it would stop importing veal from the Netherlands and establish veal production units in England. The company said it sells the equivalent of about 60 calves a week and will now acquire all of the meat from English farms. Tesco said its Dutch veal is not produced in crates, but the company believes a shift in buying policy will have a significant effect on the welfare of British animals, many of which will no longer need to be sent live outside the UK.

Veal crates were banned in Britain in 1990, and the export trade in live calves for rearing in crates on mainland Europe has led to angry protests in Britain. Activists demonstrated outside Swansea airport in South Wales yesterday after plans by farmers to airlift veal calves to the Netherlands were disclosed. Thousands of protesters have tried to stop shipments of calves to mainland Europe from Shoreham on the south coast of England over the past two weeks. *Deborah Hargreaves, Resources Staff*

Game of chance for MPs

THE NATIONAL LOTTERY

A terminal for the sale of tickets in the National Lottery is to be installed in the Post Office in the central lobby of the Houses of Parliament. The announcement came as MPs on the House of Commons heritage committee questioned executives of Camelot, the company which runs the lottery, about its commitment to keep the names of big winners secret if they ask for secrecy. A row erupted late last year when the first jackpot winner, a factory worker who won almost £7m ($10.9m), was named against his will in two Sunday newspapers. Sir Ron Dearing, Camelot chairman, admitted that the company had given information about the winner other than his name to the media. *PA News*

Court rulings on BCCI today

Progress towards a settlement for the creditors of the failed Bank of Credit and Commerce International moves forward today with two court decisions expected from Luxembourg and the Cayman Islands. The latest creditors' plan must be cleared by the courts in all three jurisdictions in which the bank operated. The High Court in London passed the scheme, which involves a $1.8bn contribution from the government of Abu Dhabi, last month. *Jim Kelly, Accountancy Correspondent*

Chemicals beat forecasts

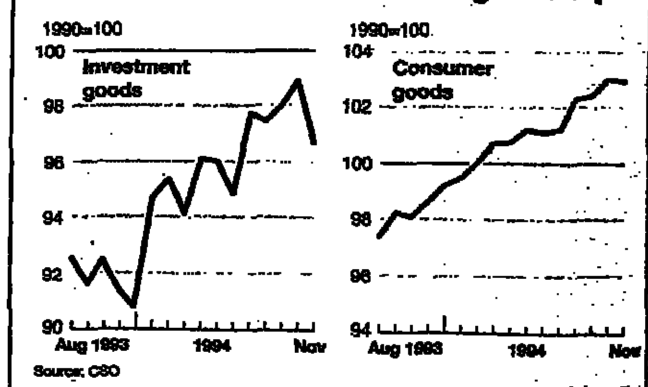
The recovery in the chemicals industry is proving sharper than expected, with output up 6.3 per cent last year in volume terms, say forecasts by the Chemicals Industries Association. Last April the association forecast output growth of 2.7 per cent, but a rise in exports and strong gains in the production of industrial chemicals and pharmaceuticals meant that the industry was "leading the way in the UK recovery", said Mr John Fraser, association president.

Growth had been helped by rising European chemical exports to Asia – boosted by the exit from many international markets of US chemical producers, who are working at capacity to meet domestic US demand. British chemical exports are expected to have risen by 8 per cent in volume last year, and imports by 11 per cent. *Jenny Luesby, Industrial Staff*

Growth prompted rates rise

The main reason why Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, agreed to raise interest rates last month was unexpectedly rapid economic growth, say the minutes of the meeting at which they took the decision. Base rates rose from 5.75 per cent to 6.25 per cent immediately after the meeting, in part to calm market nerves after the previous evening's government defeat in the vote on raising value added tax on fuel. The main trigger for the rise was the upward revision to the Central Statistical Office's estimate of growth in the year to the third quarter to 4.2 per cent. But Mr George said strong October industrial production, slowly rising pay deals and accelerating factory gate inflation had reinforced the case for higher rates.

Hint of slowdown: investment goods dip



Source: CSO

● The engineering sector's output fell sharply in November. The Central Statistical Office pointed out that monthly figures could be erratic, and that the underlying trend indicated that engineering remained one of the fastest growing areas of British manufacturing. The fall in engineering was matched by small drops in most other manufacturing sectors. *Economics Staff*

POLICEMEN HELD: Two policemen were arrested in Scotland during an internal investigation by the Grampian force, and two others were detained. All are thought to be former members of the force's drugs squad.

JOBS TO BE SHED: Wesleyan Assurance of Birmingham plans to reduce its staff of 1,450 by 350 in a drive to improve efficiency. The losses will be spread across the society's national network of 70 branches.

SCOTLAND CHOOSES COACH: Scotland's newly-formed American football team has signed former Washington Redskins quarterback Doug Williams as a wide-receivers coach. The Edinburgh-based Scottish Claymores will play in the six-club World League.

Brussels gathering of senior business figures demonstrates opposition's pragmatic approach to industry

Labour leader rebukes rebels over party reform

By Kevin Brown

Opposition Labour party leader Tony Blair ended a two-day trip to Brussels yesterday by delivering a severe rebuke to a group of left-wing Labour members of the European parliament (MEPs) who publicly opposed his plans to scrap the party's Clause 4 commitment to nationalisation.

The row underlined the continuing leftwing opposition to Mr Blair and his determination not to allow his leadership to be derailed. But it also highlighted a little-noticed gathering of equal importance to Labour's long-term future.

The reason for Mr Blair's deep anger about the MEPs' behaviour was that it appeared designed to embarrass him on the day he travelled to Brussels to address a conference of UK business leaders on European issues.

Mr Blair regarded the occasion as weighty enough to justify the most pro-European speech ever delivered by a Labour leader. But the real point of the conference lay in the sub-text - the message that Labour has changed its spots.

In a revealing indication of its changing attitude to business, Labour marshalled a host of party stars to mingle with delegates, including Mr Gordon Brown, shadow chancellor, Mr Robin Cook, shadow trade and industry secretary, Mr Neil Kinnock, former Labour leader and European commissioner-designate, Mr Wayne David, leader of the 62 Labour MEPs and Mrs Pauline Green, leader of the European parliament's socialist group.

Few were in any doubt about the success of the operation. "This is part of the process of making Labour acceptable to the City and to industry," said Mr David.

"We want to build links with industry and to move away from the traditional assumption that business must always support the Conservative party and the trade unions are automatically linked to Labour.

Most of the 250 delegates were specialists in governmental relations – some very senior, such as Mr Peter Harper from the Hanson group.

Most big names of British industry were represented, from Boots and BP through Glaxo and Guinness to National Westminster Bank and SmithKline Beecham.

There were even some chief executives, reflecting the importance attached to Labour by industrialists reacting to a lead of up to 30 percentage points in opinion polls.

Mr Robert Bischof, chief executive of the Boss Group, for example, said the conference had succeeded because it demonstrated Labour's increasingly pragmatic approach to business. "There is an awareness of the problems of industry, and industry is now responding to that by trying to establish links with the party," he said.

By the end of the conference relations were so warm that Mr Klaus Haensch, socialist president of the European parliament, was cheered by businessmen as well as Labour functionaries for describing Mr Blair as the next prime minister of the UK.

TECHNOLOGY

Fighting fraud on the phone

Peter Carty on moves to protect mobile handset users in Russia

More than 20,000 mobile phones are in use in Russia and sales are rising rapidly, but so is associated fraud. Systems to combat fraud have just been installed in Moscow and St Petersburg, the two cities where cellular phones are most in demand.

"We have started to experience problems with cloning," says Igor Lanin, information technology director of Delta Telecom, a joint venture backed by US West, the telecoms multinational, that runs St Petersburg's main analogue phone network. US West is also a partner in Moscow Cellular Communications, which operates Moscow's analogue network.

Cloning involves monitoring transmissions over the airwaves to record the serial numbers of handsets, using a radio scanner. The numbers are then inserted into another handset in a process known as "rechipping". Calls on the clones appear on legitimate subscribers' accounts.

Subscriber identity security systems (SIS) are now operating on the Delta Telecom and MCC networks in St Petersburg and Moscow. The SIS system is designed specifically to combat fraud with phones used on analogue networks. When calls are made the exchange sends a random number to the phone, which combines it with its serial number using a complex algorithm and sends it back. The exchange performs the same calculation and compares results to verify that the handset is in authorised hands.

This scrambling of serial number transmission means scanning the airwaves will no longer yield serial numbers. Rechipping handsets with new numbers becomes futile for the fraudsters because exchanges will check them against their authorised registers. The systems were installed by Anglo-Dutch IT consultancy CMG and cost each network operator $250,000 (£160,250) each.

There are several cellular phone operators in Russia, mainly operating analogue networks. Although the technology has been superseded by digital systems, analogue cellular phones are likely to dominate the Russian market for some time. In many other European countries, more advanced networks operating under the digital Global System for Mobile Communications (GSM) standard are operating.

Digital GSM networks are, however, being installed in Russia by US West and its local partners, and by North West, a joint venture dominated by Russian interests.

Cloning fraud is not currently a problem with GSM networks because serial numbers cannot be picked up by scanning. GSM phones have inbuilt security systems that work in a similar way to SIS. In addition, speech is encrypted. But digital phones are vulnerable to other frauds that western users are now grappling with. Most GSM fraud is possible because handsets can be obtained in one country for use in another.

GSM cellular phones come with a smartcard known as the subscriber identification module, or SIM. This contains the subscriber's billing details and must be inserted into the handset before use. But many subscribers find the process irksome.

Some GSM handsets are protected against alien SIM cards being used. In the UK, Vodac, the Vodafone distribution arm, locks each SIM card into one handset. As well as stopping illegitimate resale of handsets, Vodac aims to prevent illegitimate use of SIM cards on other mobile phones.

Some users and operators feel that Vodac's move goes against the principle underpinning the GSM standard of easy transfer of SIM cards between handsets. Vodac says the SIM card on its phones are unlocked once it is sure the customer is bona fide.

The industry is also attacking GSM handset abuse from another direction. Last October, GSM system operators from all over the world voted to open an Equipment Identity Register within a year. This will record the serial numbers of all GSM handsets in use globally. Stolen GSM handsets will be logged to prevent reuse.

By the time Russia's GSM networks are fully under way they will be able to exploit SIM locking and the identity register.

Smart cards are convenient, secure and increasingly seen as the way to pay, says Vanessa Houlder

From gimmick to necessity

For years, the "smart card" seemed to be a solution looking for a problem. Although the idea of embedding a computer chip in a plastic bank card was first patented more than a quarter century ago, sceptics long considered it an expensive gimmick.

Now, however, the smart card is poised to become part of daily life. People are using or experimenting with smart cards to store medical records, pass through road tolls, access pay-TV services, improve security of offices and computer networks, collect loyalty points from petrol stations and replace loose change in phone boxes, launderettes and vending machines.

Potential uses for smart cards are proliferating as their cost is driven down by increased competition and mass production. Although they are never likely to be as cheap as the magnetic stripe cards, they have two important advantages in being able to store larger amounts of information, far more securely.

The smart card "is now widely acknowledged" as the card technology of the near future, says Frost & Sullivan, the market research company. It forecasts that the value of the European smart card market will increase six-fold this decade to $1.3bn by 2000.

So far, the market for smart cards has been dominated by France, which has been at the forefront of the technology since its development by Roland Moréno, a French journalist, in 1974.

The technology was driven forward in France by the first trial of smart bank cards in 1982 and the

Take-up of smart cards will be hampered by existing investment in magnetic stripe technology

introduction of pre-paid phone cards by France Telecom, the state-owned telecoms company, in 1985. Now France has the largest smart card banking system in the world with 21m cards in issue. They are used to pay for everything from videos at EuroDisney to school meals in Montpellier.

Enthusiasm for smart cards is not confined to France. Among the hundreds of uses for smart cards listed by The International Smart Card Industry Guide, published by Brighton-based Smart Card News, are ski passes in Austria, vehicle fleet management in Siberia, maternity records in Japan, public transport fare collection in Hong Kong, health insurance payments in Germany, telephone banking in Norway and the payment of gas bills in the UK.

The appearance of smart cards is often striking because issuers can defray their costs by advertising on cards or by issuing cards that appeal to collectors, who sometimes pay thousands of pounds for cards that are unused and preferably still in their wrapper.

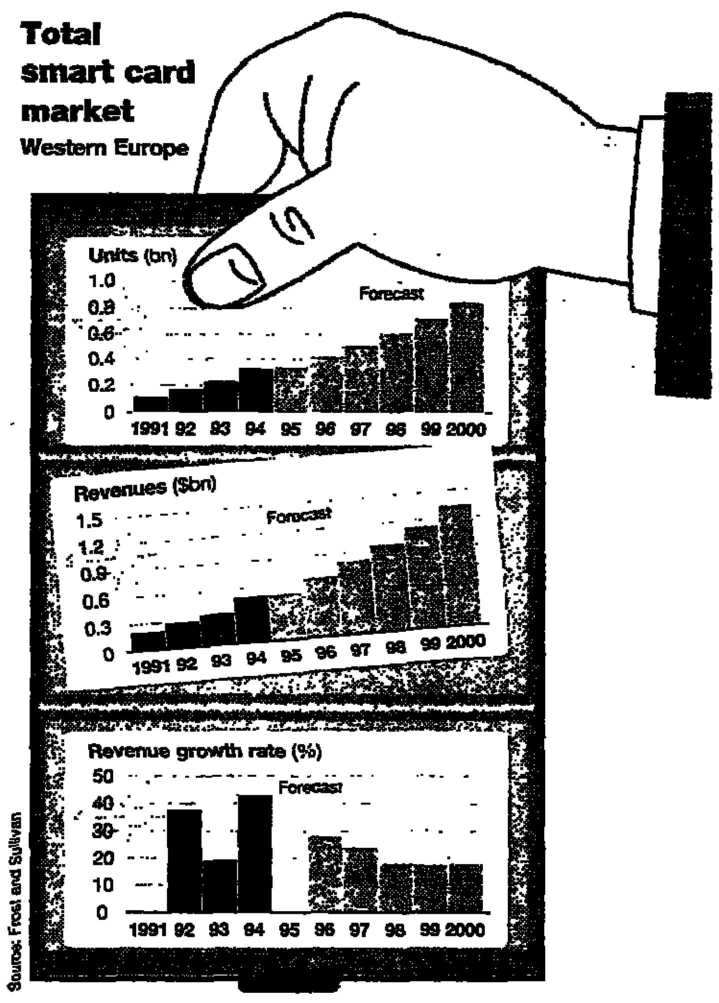
But there are also important technical differences between cards, depending on their applications. Some cards, particularly those used for road tolls, ski lifts or public transport systems, are "contactless" in that they communicate using techniques such as radio frequency transmission. Other cards have a gold connector plate in the top left-hand corner, which allows the card to transfer data through physical contact with an electronic reader.

Cards vary greatly in their sophistication. Strictly, the term "smart card" applies only to those cards that contain a microprocessor. These cards are expensive to produce – costing between £5 and £20 each – but they can process information necessary for use in banking systems, for subscriptions to pay-TV, and to identify subscribers for cellular phones.

But the most common types of smart card – representing about 90 per cent of those in issue – lack processing power. These cards, which cost around 50p each, are capable of storing the information needed to, say, keep the tally of points stored on a prepayment card or a retailers' loyalty card.

The largest use of these simple, disposable smart cards is in public phone boxes. (In the UK, BT has announced plans to switch to smart card technology this year). The customer benefits because fewer phone boxes are vandalised and they do not need to worry about having enough coins; the operator gains because the calls are paid for before they are made and the equipment does not need to be repaired or emptied so often.

The appeal of handling less cash and being paid in advance by the customer is obvious for a number of service providers, such as vending machine suppliers, parking meter operators and launderettes. Much effort has been put into devising schemes in which a range of service providers can accept payment using the same smart card, with the transactions reconciled by a central clearing system.



These "electronic purse" schemes are being planned or rolled out in a dozen countries around the world. They depend on issuing either pre-paid disposable cards or cards that are rechargeable through adapted automatic teller machine networks. The possibility of loading up smart cards from other devices, such as adapted telephones, is being explored. "In the long run, we will have to offer the convenience of loading from home," says Yves Moulart, deputy director of Banksys, which is introducing an electronic purse in Belgium.

A variation on the electronic purse concept is Mondex, an attempt to create a genuine electronic alternative to cash, which is being tested by National Westminster Bank, Midland Bank and BT in Swindon, Wiltshire this year. Unlike other schemes, this electronic cash payment service does not use a clearing system, and so Mondex cash can be kept in circulation indefinitely, in the same way as traditional cash. Payments can be made from one card to another, using an "electronic wallet".

Smart cards are also being adopted in the credit and debit card business, in the wake of an agreement about specifications by Europay, MasterCard and Visa last year. Visa has already announced plans to develop a smart card with sufficient flexibility to support a new range of financial services.

For the credit card companies, the chief advantage in switching to smart card technology is that it offers better protection against fraud. Point-of-sale terminals can interrogate a smart card to prove it is genuine by sending a random coded challenge, that can only be correctly answered using a secret key. Card holders can be identified by using a personal identification number or by more advanced "biometric" data, such as finger prints.

By using a sophisticated security encryption algorithm and a secret "key", smart bank cards have shown themselves to be highly secure against fraud.

That said, many specialists warn against complacency. Despite strenuous efforts by cryptographers, hackers have successfully broken into seemingly secure systems. In 1993, for example, BSkyB, the satellite operator, discovered that pirated smart cards were in circulation that could break the code used to scramble the satellite television channels it broadcast.

Risk of fraud is not the only problem: industry standards have been slow to evolve, with the result that many smart card schemes are incompatible, reducing the potential for economies of scale.

Also, take-up of smart cards will be hampered by existing investment in magnetic stripe technology. More than 5m terminals worldwide will have to be upgraded to read smart cards or replaced, according to Mastercard International.

Smart cards also pose potential difficulties concerning privacy and civil liberties. The possibility in the UK, for instance, that driving licences and social security information will be stored on a smart card has raised concern that an indentity card system could be introduced by stealth.

However, the convenience and security offered by smart cards suggests they will continue to gather momentum. "The arrival of the smart card on the global payment scene is now viewed as inevitable," according to Robin Townend, senior vice president of MasterCard. "Attention has now moved away from 'if' to 'when and how'."

PEOPLE

New measures at Distillers

Guinness has restructured its United Distillers subsidiary to give greater emphasis to emerging markets for Scotch whisky and other distilled drinks and "to give a fresh approach to more traditional markets".

It has created six geographic divisions, up from four previously, each reporting to Finn Johnsson, who takes up the managing director role at UD in mid-February. He is joining from Euroc, the Swedish building materials group, but has been involved in planning the new structure.

The two divisions are Asia, covering such markets as China, Thailand, Indonesia and Singapore, and International, covering Eastern Europe, India, Africa and the Middle East. Ed Shyurng, 39, will head Asia, and Andrew Morgan, 38, international.

Europe will continue to be led by Phil Parnell, 42, while North America will be headed by Walter Caldwell, 47, Pacific by Barry Fitzgibbon, 49, and Latin America by Pepe Colombo, 48. They are all internal UD appointments.

Two senior executives are leaving. Bob Taylor, 51, currently head of Asia-Pacific, is taking early retirement. Ove Sorensen, 53, head of North America, is leaving "to pursue his career outside the company". Sorensen joined UD in 1992 from being chief executive of Häagen-Dazs, the Grand Met ice cream company. He is credited within UD for integrating a number of acquisitions UD made in North America in the late 1980s such as Schenley and Glenmore. He is being replaced by Caldwell who has extensive whisky experience. Guinness declined to disclose compensation terms for Taylor and Sorensen.

This is the first restructuring of UD since 1987 when Tony Greener, now Guinness chairman, took over the division which was the Distillers company Guinness acquired in 1986. *Roderick Oram*

Restructuring at Dixons and GRE

Dixons Group, the UK's largest electrical retailer, yesterday unveiled a wide-ranging management restructuring aimed at giving each of its store chains sharper focus and more freedom. Although a central team will continue to oversee central functions such as finance and personnel, the group has decided to reorganise its retail business under new management teams.

Five new managing directors have been appointed and three senior executives are departing.

From February 5, David Gilbert, formerly deputy managing director of Dixons Stores Group, will become managing director of Currys. Peter Morris becomes become managing director of Retail Development, with overall responsibility for PC World, the computer retailer, and The Link, the telecommunications chain. He will be supported there by Terry Duddy, the new managing director of PC World, and Sarah Carpenter, who continues as md of The Link.

Colin Glass – who joined the group in 1990 as managing director of Supasnaps, the film processing retailer – is moving from the helm of PC World to be managing director of the Dixons chain.

Meanwhile, David Hamid will look after the group's Mastercare and distribution activities as managing director of commercial services. Ian Livingston is promoted to finance and systems director.

Tony Dignum, retail group finance director, and Tony Burns-Howell, group security director, would be leaving, along with Terry Kelley, group MIS director. *Tim Burt*

■ The management of the international business of Guardian Royal Exchange, the composite insurer, has been reorganised. GRE says that about 60 per cent of its premium income comes from businesses outside the UK.

From this month, Volker Bremkamp, chief executive of GRE's German subsidiary Albingia, will also have oversight of all the group's continental European operations. Similarly, Victor Yerrill, chief executive of GRE Insurance Group in the US, will have responsibilities for all the Americas.

John Sinclair, the director responsible for UK insurance operations, will also take responsibility for Ireland and for developing direct writing and life operations worldwide. The heads of GRE's main overseas operations will report directly to John Robins, the group chief executive.

Jim McDonough, currently international director, is retiring in May. *Ralph Atkins*

■ John Farrell, a joint managing director of Cape who retired in 1990, has taken over as chairman of Caird, the loss-making waste management company crippled by a flurry of acquisitions in the late 1980s. Farrell replaces John Ashton who announced his retirement last June.

Hudson's new life at Britannia

Des Hudson has been appointed to a new post of operations director at Britannia Life, the subsidiary of Britannia Building Society, the UK's ninth largest. Since last summer, Peter Burden, Britannia Life's managing director, has been given a broader group role, leaving a need for someone to take more day-to-day responsibility for the organisation.

Formerly head of lending at the society, Hudson, 39, is having to move from being near Britannia's headquarters in Staffordshire to within easy distance of the life company's offices in Glasgow.

He admits to "a few pangs of regret momentarily" and says it was a wrench to leave his team. He joined Britannia in the middle of 1992, having been a general manager at Yorkshire Building Society. Even so, he says his new post is "a very big opportunity. This is an exciting time to be joining a life assurance company."

Hudson sees his role as leading the life company's twin aims of improving customer service and becoming more efficient; he believes there will be an increasing need to cut expenses as customers become more aware of charges and costs.

His successor as head of lending is Gerald Gregory, formerly treasurer and head of funding. *Alison Smith*

■ Hedge funds may have had a difficult year in 1994 but they are still recruiting. Goldman Sachs, which previously lost star analysts David Morrison and Jeremy Hale to Tiger Fund Management, is now waving goodbye to its director of equity strategy in London, Sushil Wadhwani.

Wadhwani, who has worked at the US investment bank for four years, is off to join the hedge fund group of Paul Tudor Jones, the US investor who is often rumoured to be behind market movements.

Wadhwani will be director of research at Tudor Proprietary trading from the start of February. After a brief stint in the US, he will return to London, where he is looking forward to having more time to devote to pure research. At Goldman Sachs, much of his time was spent on marketing activities. *Philip Coggan*

■ Robin Mountfield, a top Treasury civil servant, is being promoted to permanent secretary at the Office of Public Service and Science. The move is both a reward for 34 years of Whitehall service and a solution to the Treasury's need to reduce the numbers of staff.

Mountfield, who joined the Treasury in 1992, has for the past two years been deputy secretary in charge of civil service management and pay. His job is disappearing under a Treasury review which by April will have reduced the number of top civil servants at the department from 100 to 75.

In his new role, which takes in supervision of the Cabinet Office, Mountfield will take charge of broad civil service issues including the Citizen's Charter. He will also continue with his responsibility for civil servants' pay which is being handed on to his office from the Treasury.

Mountfield is an old-style civil servant who has spent most of his time in Whitehall at the DTI, where he relished a hands-on role. Although he is said to have particularly enjoyed his period trying to reshape sections of British industry under the last Labour government, Mountfield proved himself adept at adapting to the different philosophical approach to industry of the current Tory administration.

With the impending retirement of Andrew Edwards, by April the number of Treasury deputy secretaries will have been reduced from seven to three in less than two years. *Peter Marsh*

MANAGEMENT: MARKETING AND ADVERTISING

'Alternative' media are turning up in the strangest places, reports **Diane Summers**

Public fed on a diet of eggverts

Go to buy a London Underground ticket and there is a strong chance that, from now on, you will be handed a leaflet offering money-off vouchers for hamburgers or theatre tickets together with your tube ticket.

The scheme, just launched, is the latest in a steady stream of new ideas designed, it seems, to exploit every opportunity to promote a commercial message.

Recent months have seen the advent of, for example, "eggverts" – advertising messages on eggs – videos on buses and ads on racehorses.

Aspen Specialist Media, the company which has formed a joint venture with London Underground for the ticket office leaflets, cornered the Post Office market recently with advertising-based TV programmes which are being shown to captive queues.

According to Marco Rimini, planning director with CIA, the independent media buying company, the developments are part of a wider trend away from rigid demarcations between areas where commercialisation is or is not acceptable. The surge in sponsorship of TV programmes and sporting events and trophies is another indication of the trend.

Transport-related "alternative" media seem particularly popular. Liveried taxis, decked out in a company's colours and advertising slogans, are now a common sight. United Airlines, the US international carrier, has had the largest liveried taxi campaign to date, with 170 cabs on the road.

The airline's advertising agency, Leo Burnett, devised the slogan "United Airlines, the best of both worlds" and decked out the front half of cabs as yellow New York taxis and the back half as regular London black cabs. Passengers also receive airline schedules and copies of in-flight magazines. The Financial Times has had a similar campaign with pink taxis and free copies of the newspaper.

Taxi Media, the company operating the advertising, charges £5,600 a year per taxi, plus a respraying charge of about £2,000. The panels inside taxis cost upwards of £4 each a month.

Advertising on buses might be mainstream, but last year The Economist magazine went one step further by putting a poster on the outside roof of the number 133 bus, which follows a City route, reading "Hello to all our readers in high office". Advertising agency Abbot Mead Vickers BBDO, which thought up the idea, said one of its art directors looked out of his eighth-floor office and noticed "that the red bus tops were Economist posters waiting to happen".

Freight Media also specialises in vehicle ads. It provides mobile poster lorries, special display vehicles and seat-back advertising on tourist buses.

Back on the Underground, escalator wall advertising is commonplace – less obvious but now available is advertising on the steps themselves. Not a centimetre is unexploited, with some travel tickets showing an advertising message on their flip side.

In the supermarket, there are ads on the floor, while Birmingham-based Swan Marketing offers "trolley media" bringing, says the blurb to potential advertisers, "your message, consumer and brand in perfect harmony at the point of purchase". The advertising panels on the trolleys now reach nearly half of all households in Britain, the company claims.

At the golf course, advertising is sold on ball washers at the first tee and beer ads can be glimpsed inside the hole.

Eggverts have been used by Sky TV to launch a subscription drive, and BT to advertise reduced call rates. The ads are printed on the eggs using a high-pressure jet blowing tiny dots of food colouring on the shell of each one as it passes on a line.

According to Rimini, it is this kind of technological development, as much as a desire to do something different in a world where the existence of advertising has become commonplace, that is driving the "alternative media" industry.

Alternative media can be closely targeted: it is possible to buy an advertisement on the visa form visitors to Australia are required to fill out, or place stylish postcards in London's most fashionable bars. The latter service, provided by a company called London Cardguide, might be the most cost-effective medium if, for example, an upmarket clothes retailer "just wanted to talk to those 3,000 people in London who could afford their clothes," says Rimini.

But, in most cases, the function of alternative media is to back up a mainstream advertising campaign. Space on the supermarket floor, eggshell or tube ticket is limited, so the advertiser's name needs to be well known already.

There is also the danger, Rimini points out, of looking cheap and tacky: "Check that your brand is not being devalued. One of the arguments in favour of using television advertising is that people think if you're on TV, you must, by definition, be a big player. The reverse is also true. The danger with some of these things is that people will say you can't be very serious if that's the kind of advertising you do."

Bigger slice of the market: Texaco's Hemel Hempstead service station manager tucks into pizza cooked on the concourse

Petrol stations pump it up

Forecourts are attempting to lure customers with convenience shopping, writes **Robert Corzine**

The European marketing arms of the big international oil companies can be excused for feeling under siege.

Just as cola and baked bean manufacturers are being forced to compete with cheaper own-label products on retailers' shelves, so discount petrol stations have become a common sight at British and Continental superstores in recent years. Their growing influence has put industry margins under pressure, nowhere more suddenly than in the UK where supermarkets have captured a fifth of the retail petrol market.

Oil companies, though, are fighting back and much management time is being devoted first to persuading motorists of the advantages of buying a premium but more expensive make of petrol, and then capturing their loyalty to a particular brand.

This is in spite of a general acceptance in the industry that consumers often find it hard to differentiate between the majors.

Industry executives speak of the shoelace test: "If a customer standing on the forecourt of a petrol station bent down to tie his shoelace, would he be able to tell if he was on a Mobil, BP, Esso, Texaco or Shell site?"

Although the answer is almost invariably negative, that has not stopped the industry from launching ambitious projects that emphasise differentiation and encourage customer loyalty.

Last October Shell, with one of the UK's largest retail networks, introduced the first nationwide smart card incentive scheme for motorists.

David Pirret, the general manager of Shell UK's retail division, says more than 2m cards have so far been distributed, representing about 10 per cent of the UK driving public. The cards have allowed Shell to eliminate the paper vouchers and stamps that oil companies have traditionally given out to customers to encourage brand loyalty – though at a price. Millions of pounds have been spent on installing 1,800 terminals at Shell sites.

Pirret, however, says the move to an electronic system has advantages other than its novelty value.

It gives the company detailed information on the buying patterns of individual consumers. And that, he adds, allows Shell to use "micro-marketing techniques" to approach small groups of consumers through direct correspondence.

"For example, if we open a new station we can mail shot customers in the area," he says.

Other companies agree that electronic loyalty schemes are more convenient to operate than the old paper-based ones. But the effectiveness of such schemes in securing brand loyalty is not wholly accepted in the industry.

Tony Rexburgh, head of marketing at BP Oil International, says motorists may simply wind up collecting all the cards issued by the various companies.

There is also conflicting market research about whether customers like long-term incentive schemes. Simple give-aways of items such as glasses and mugs may seem old-fashioned, but they can be surprisingly effective.

Other companies worry about the "glove box factor" with a long-term incentive scheme. That is the hard-to-compute level of payout that can arise at the end of such schemes.

One issue on which most companies do agree is that the transformation of petrol stations into broader retail outlets – effectively trying to turn the tables on supermarkets - has yet to run its course.

The introduction of concourse shops has revolutionised the economics of petrol marketing in recent years. Hundreds of low-volume rural stations slated for closure have been reprieved by the presence of a shop, say industry executives.

The shops were originally intended to draw motorists. But non-petrol buying traffic can account for 50-60 per cent of the turnover of some station shops.

Figures from Shell show that forecourt convenience stores in the UK account for £2bn of the £31bn convenience-shopping market in the country. But the company, which is converting five stations a week to full convenience store status, believes the market will grow rapidly as the number of old-style corner shops declines.

A good deal of experimentation is taking place across the industry, although "a lot of people are simply fascinated by the latest wheeze," says Pirret.

Combining fast food outlets with petrol sales is the "flavour of the month," says Roxburgh. Texaco, which has Pizza Hut kiosks within several of its shops, says the results so far have been positive.

Companies are also lobbying hard to be allowed to sell alcohol, the biggest selling item in the convenience shops of US petrol stations. Other services, such as electronic shopping via terminals or travel agencies, are under consideration.

Some activities, however, such as selling national lottery tickets, have led to unexpected problems. Alain Dujean, head of marketing at Elf UK, says that on days close to a draw stations selling the tickets have been clogged up by long queues.

The shop revolution has also caused the oil majors to adopt perhaps the most important retail maxim: "It's location, location, location." Half the UK's petrol stations have closed in the past 10 years, and their number is likely to fall further as the majors focus on larger sites that can accommodate the myriad services customers now expect.

But there are signs of a small counter-revolution against the trend towards large, multi-service marketing operations.

Elf, one of the newest entrants in the UK, has added a back-to-basics element to its marketing strategy. It plans to introduce an unmanned, fully automated mobile service stations for sites in which it would not be possible to build a permanent station. Such a strategy has proved successful for oil companies in several Continental countries.

ARTS

Cinema/Nigel Andrews

Cultural battlefields

Movies about eating are exercises in delicate torture. Audiences able to use only their eyes and ears are shown images designed to stimulate taste, smell and touch. When the guzzling occupies a passing scene – ten minutes of oysters, chicken legs and steamy *oeillades* in *Tom Jones* – the spectator can re-adjust. The "story" soon returns. But what if food is virtually the whole movie?: as in *La Grande Bouffe* or *Tampopo* or *Babette's Feast* or now the funny, touching, wildly appetising *Eat Drink Man Woman*.

Taiwanese writer-director Ang Lee has put sizzling woks before us previously, in his last film *A Wedding Banquet*. There, food was a eucharistic comment on a gay relationship: the kitchen-dinette as high altar of domestic intimacy. In *Eat Drink*, food is also sacramental. It is the holy oil poured – still bubbling if necessary – by a widowered master-chef (Sihung Lung) over three daughters who are reaching adulthood. "The Sunday dinner torture ritual!" groans Daughter One as the weekly date with dad looms.

The three sisters – an air stewardess, schoolteacher and student – are trying to cut the paternal umbilical cord. But father is, or was, the greatest cook in Taipei. The opening sequence tells us this. Carps are eviscerated, vegetables decimated, pans set hissing, all in giant close-up before a helplessly salivating audience.

Meals, for the old man, are rites of family unification. For the daughters, more interested in rites of passage, they are acts of patriarchal imposition. Film-maker Lee sympathises with the girls' impatience, but also watches their lives go wrong, perhaps because of that impatience. The teacher, bruised by a bygone romance, is being plagued by anonymous love letters. The stewardess impulsively buys into an apartment block, only to find it is built on a toxic waste-dump. The youngest daughter gets pregnant and moves out of the family home.

For a while the old man is left coping with a life that looks like the stacked debris after a meal. Ang Lee surrounds this aproned Lear with other mini-tragedies: an old friend dies immediately after being released from hospital. And a fat neighbour, who looks a Puccini soprano stepped into the vale of years, threatens him with marriage.

The old man should embrace change and, as the brute Americanism has it, "get a life." But he has had one, the old one; he doesn't much want to be budged from it.

EAT DRINK MAN WOMAN (PG)
Ang Lee

LA REINE MARGOT (18)
Patrice Chéreau

KILLING ZOE (18)
Roger Avary

NOSTRADAMUS (15)
Roger Christian

TOTALLY F***ED UP
Gregg Araki

We end with a sort of reconciliation. But the film's beauty and witty pathos lie in its perception that life is not about reconciliations. It is about generations eternally programmed to fight each other, with only the meal table as a truce area in which, for a few hours each day or week, common appetite can overcome warring self-concern.

★

La Reine Margot, an all-star slice of French history adapted from Dumas, is directed and co-written by Patrice Chéreau. But you could be forgiven for believing that it is being performed, as in that well-known play title, by the inmates of the asylum of Charenton under the direction of the Marquis De Sade.

Hurling themselves round the screen in torn and bloody costumes are Isabelle Adjani (Marguerite de Valois), Daniel Auteuil (Henri of Navarre), Jean-Hugues Anglade (Charles IX) and Virna Lisi (Catherine de Medici): all trying to pick up the pieces – messy ones too – of the St Bartholomew's Day Massacre.

I spare you the full historical context, since it takes a vast introductory "crawl" for the film itself to explain this. Broadly, Catholics are fighting Protestants and Paris shakes to the noise of slaughter in the streets and of Royals assailed by stabbing, intrigue and (in Charles's agonised last-act case) poisoned book pages.

Chéreau, who directed *that* "Ring" at Bayreuth, brings his mania for modern resonance to 16th century France. Sets and costumes are in period, but the people inside them are possessed by neuroses, bloodlust, *schadenfreude* (or French equivalent) and polymorphous promiscuity.

Anglade's king is a twitching rag doll with lank hair and staring eyes. Lisi's Catherine – for which she won Best Actress prize at Cannes – is a human spider who has crawled from some cosmic inkbottle. (Amazing! Twenty years ago Lisi was a vapid Italian starlet; now she seems to have turned into Eleanora Duse). And Adjani's Marguerite, not content with bedding her brothers, combs the streets for any man limber enough to give her a midnight knee-trembler.

The Chéreau treatment – let us call it OTT-modernist – works superbly in the scenes of palace intrigue; well enough in the massacre sequence; and less well when it tries to convince us of more subtly shifting psychological plates in its tremor-prone characters.

Is enigmatic Henri, the Catholics' prize hostage played by Auteuil with a fuzz of hair and wryly innocent eyes, a fool or a saint? Is Charles a madman or Machiavel? Most importantly, is Margot a brave queen or a whore of history? Adjani acts the role to the hilt and further, but never quite lets us see the spiritual cogwheels behind the blanched and gleaming machinery of emotion.

★

In a week of strange cross-referencings, *Nostradamus* is the tale of a 16th century Frenchman who "foresaw" the bloody night of St Bart: his other famed predictions ranging from Hitler (or "Hister", as he preferred) to the moon landing. And *Killing Zoe* is a French-American thriller showcasing Jean-Hugues Anglade again, in another glittering fruitcake role.

He plays the chief bank robber – lank hair, popping eyes – in this feature-length shoot-up now being advertised as a "Quentin Tarantino" film. Let us correct possible misperception. Q.T. only executive-produced. Writer-director and chief culprit of this mindless gore-fest, full of sound, fury and creaky plot contrivance, is Roger Avary. He won his spurs by co-scripting *Pulp Fiction* but should lose them again swiftly after perpetrating this.

In another part of the cultural battlefield, *Nostradamus* mimics *Zoe* in being a French-set co-production tripping over tangled provenances.

Britain's Roger Christian directs France's Tcheky Karyo as the all-seeing misfit hero: piercing blue eyes, scrubby beard, *ex cathedra* predictions. Meanwhile Spain (Assumpta Serna), America (Amanda Plummer as Catherine De Medici) and Holland (Rutger Hauer as "The Mystic Monk") also battle to be heard in the Babel-like supporting cast.

Being heard, though, with this script, is no great advantage. Ranging from basic rhubarbing – "The plague! The plague!" – to costive formalism ("Ecstatic visions are nothing foreign to you"), the film seldom hits a mean of human or historical credibility.

Gregg Araki's *Totally F***cked Up* seems a masterpiece by contrast and it almost is. After his doomy gay road-movie *The Living End*, Araki still sees himself as chief scribe to L.A.'s homosexual community. But the new film is a wittily loose-limbed tale of five gay teenagers: a stylistic impromptu mixing video, captions and handheld celluloid as if Araki had been freshly visited by the ghost of Godard. The film is also as "moral" as Aunt Edna would like in the story's grim pay-offs to promiscuity, and she will no doubt appreciate the thoughtfully asterisked title.

Jean-Hugues Anglade (Charles IX) and Isabelle Adjani (Margot) in 'La Reine Margot'

Opera in Bielefeld/Andrew Clark

Ullmann's 'Der Sturz von Antichrist'

Ulrich Neuweiler and Louis Gentile in John Dew's new production

The music of Viktor Ullmann (1898-1944) was as good as forgotten until the 1980s, when *Der Kaiser von Atlantis* enjoyed a sudden spate of performances in London and elsewhere. With the *Entartete Musik* (degenerate music) revival now in full swing, Ullmann's other works have begun to rise from the dust.

German conductors sympathetic to his late Romantic/early modern idiom are programming the Piano Concerto and the symphonies, and there are plans for some recordings. His second opera, *Der zerbrochene Krug* (1942), is soon to be published by Schott, and his first opera, *Der Sturz von Antichrist* (1935), has just received its world premiere in Bielefeld.

Here is another example of that tragic 20th century phenomenon – the German-Jewish composer whose life and creativity were brutally extinguished by the Nazis, and whose surviving works are only now receiving proper attention. What distinguishes *Der Sturz von Antichrist* (The Overthrow of Antichrist) is its quasi-prophetic and autobiographical quality – its allegorical depiction of the rise of a dictator, the destruction he causes and his ultimate defeat.

In Ullmann's opera, the Hitler figure is the Regent, who commands a technician, a priest and a poet to submit to his will – science, religion and the means of propaganda being the key to controlling the masses. The technician and the priest agree under duress, but the poet – a thinly-veiled self-portrait by Ullmann – refuses.

He is thrown into prison, where his jailer turns into a guardian angel, helping him to unlock his spiritual resources. He denounces the dictator as the Antichrist, and freedom is restored. The moral is that art triumphs over the forces of darkness and oppression. Has opera ever preached a more utopian message?

Der Sturz von Antichrist marked a major change of direction for Ullmann. A composition pupil of Schoenberg and protégé of Zemlinsky, he established an early reputation as a Kapellmeister and composer of 12-tone music. Then, in 1929, came his conversion to anthroposophy, a mixture of art, religion and science propounded by the early 20th century philosopher-teacher Rudolf Steiner. Within two years, Ullmann had divorced his first wife, given up composition and taken over the running of an anthroposophic bookshop in Stuttgart. When the Nazis came to power, the shop was forcibly closed and Ullmann fled to Prague.

That was the tinder which rekindled his creative imagination. Drawing on a dramatic sketch by the Steiner disciple Albert Steffen, he composed an opera which mirrored his own situation with uncanny precision.

Not surprisingly, given the prevailing climate in central Europe, no theatre was interested in performing a work by a Jewish composer which unmasked National Socialism. Ullmann handed the score to a composer-friend for safe-keeping before he was interned at the Theresienstadt concentration camp in 1942. He was gassed at Auschwitz two years later.

In the light of Ullmann's fate, it is tempting to make allowances and give *Der Sturz von Antichrist* an uncritical welcome. But the Bielefeld production, staged by John Dew, designed by Thomas Gruber and conducted by Rainer Koch, cruelly laid bare its weaknesses. Like most new converts, Ullmann seems to have been so consumed by his message that he failed to give it dramatic shape or context.

The music – a deft mixture of Brahmsian cantilena, Straussian instrumentation and post-Wagnerian polytonality – remains totally subservient to the words. The five nameless characters, all men, stubbornly refuse to develop beyond cardboard cut-outs, and only in the closing chorale are women's voices heard. The result is a metaphysical fantasy, all symbolism and no action, lasting a leaden two hours. But without this first essay in the art of resistance, *Der Kaiser von Atlantis* – written at Theresienstadt eight years later – would probably have been less accomplished.

This was Dew's penultimate production in Bielefeld before he takes up his appointment as intendant in Dortmund next season (a very peculiar move). Bielefeld, his artistic base for the past 13 years, has done his career no end of good, but he has begun to repeat himself. The staging was thin and static, for which the straitened circumstances of German theatres are no excuse. There were allusions to science fiction in the decor, which consisted of a bare central ramp in the outer acts and a wall of Beuys-like mathematical drawings for the crucial Act 2 dialogue, echoing the way Steiner illustrated his ideas.

The American tenor Louis Gentile sang with visionary conviction as the Poet. Ulrich Neuweiler was a rather androgynous Regent, Monte Jaffe a superbly concentrated Jailer. Richard Decker and William Oberholtzer, as Priest and Technician, gave strong support.

Koch and the orchestra proved sympathetic interpreters of the music, which has enough good material to fill a substantial symphonic suite.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: conducted by Valerie Gergiev plays Oestwolskaja and Shostakovich at 8.15 pm; Jan 18, 19
● Royal Concertgebouw Orchestra: with soprano Inga Nielsen, and mezzo-soprano Elisabeth Laurence. Charles Dutoit conducts Lutosławski, Debussy, Stravinsky and Bartók at 8.15 pm; Jan 12, 13, 14
GALLERIES
Van Gogh Museum Tel: (020) 570 5200
● Odilon Redon: retrospective of the French artist's work with over 180 paintings, etchings and lithographs from public and private collections; to Jan 14

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Glen Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 14 (6 pm), 17, 19
● Der Rosenkavalier: by Strauss. Conductor Jiří Kout, production by Götz Friedrich at 6 pm; Jan 15
● Madama Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani at 7 pm; Jan 18
● Zar und Zimmerman: by Lortzing. Conducted by Hans Hilsdorf, produced by Winfried Bauernfeind at 7 pm; Jan 13 (8 pm)

■ BRUSSELS

CONCERTS
Philharmonique de Bruxelles Tel: (02) 507 84 34
● Belgian National Orchestra: with soprano Zsuzsa Misura, baritone Andras Molnar and conducted by Yuri Simonov plays Wagner at 8 pm; Jan 12
GALLERIES
Musée d'Ixelles Tel: (02) 511 90 84
● Gainsborough to Ruskin: British landscape drawings and watercolours from the Pierpont Morgan Library in New York. Includes paintings by Constable, Turner and other 18th and 19th century artists; to Jan 15 (Not Mon)

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Briggite Fassbaender: the mezzo-soprano with the Academy of London conducted by Richard Stamp plays Beethoven and Mahler at 7.30 pm; Jan 16
● London Symphony Orchestra: conducted by Ivan Fischer plays Dvořák at 7.30 pm; Jan 12
Queen Elizabeth Hall Tel: (071) 928 8800
● Cantabile: four man vocal harmony group performs songs of love and war at 7.45 pm; Jan 17
● Messiah: by Handel. James Gaddam conducts the London Orpheus Orchestra and the London Orpheus Choir at 7.30 pm; Jan 15,
● Orchestra of the 18th Century: with conductor Frans Bruggen and soprano Cyndia Sieden plays Haydn, Mozart and Beethoven at 7.45 pm; Jan 12
● The London Philharmonic: conducted by Elgar Howarth plays Gabrieli, Stravinsky, Birtwistle and Byrd/Howarth at 7.45 pm; Jan 16

GALLERIES
British Museum Tel: (071) 636 1555
● Ancient Egypt and Contemporary Art: 12 works commissioned by the museum alongside the existing collection of ancient Egyptian relics; to Jan 19
National Gallery Tel: (071) 839 3321
● The Young Michelangelo: small exhibition of the artist's early work. Part of the 'Making and Meaning' series; to Jan 15
Victoria and Albert Tel: (071) 938 8500
● Warworks: women photography and the art of war. A perspective of war through the eyes of international women artists; to Mar 19

OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 14, 18
Royal Opera House Tel: (071) 340 4000
● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Jan 14
● Così Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidò. In Italian with English surtitles at 7 pm; Jan 18
● Otello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 13, 17
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 16, 19

THEATRE
National, Lyttelton Tel: (071) 928 2252
● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Jan 17, 18 (2.15 pm), 19

■ NEW YORK

CONCERTS
Alice Tully Hall Tel: (212) 875 5050
● Garrick Ohlsson: pianist, begins a six recital series covering the complete solo piano music of Chopin at 3 pm; Jan 15

OPERA/BALLET
Lincoln Center Tel: (212) 721 6500
● Heather Watts Final Performance: New York City Ballet principle dancer Heather Watts gives her last performance in George Balanchine's 'Bugaku' and Peter Martins' 'Valse Triste' at 7 pm; Jan 15
Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 14 (1.30 pm), 18
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 14, 17
● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 12, 16
● Madama Butterfly: by Puccini at 8 pm; Jan 13
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco. James Levine conducts the opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Jan 19

THEATRE
Vivian Beaumont Tel: (212) 239 6200
● Carousel: revival of the 1945 Rodgers and Hammerstien musical at 8 pm; to Jan 15 (Not Mon)

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Nathalie Stutzmann: contralto and pianist Inger Södergren plays Schumann, Debussy and Tchaikovsky at 8.30 pm; Jan 17
● Soirée Brahms: part of the 'Prades aux Champs Elysées' series, featuring violinists Régis Pasquier and J.-Jacques Kantorow at 8.30 pm; Jan 18
● Virtuosos of Moscow: violinist Vladimir Spivakov plays Haydn, Bartók and Tchaikovsky at 8.30 pm; Jan 16

GALLERIES
Georges-Pompidou Tel: (1) 42 77 12 33
● Kurt Schwitters: exhibition of works by the Dadaist; to Feb 20
Institut du Monde Arabe Tel: (1) 40 51 38 38
● Delacroix in Morocco: Delacroix's visit in 1832, when he was 34, made a lasting impression on his art; to Jan 15 (Not Mon)
Musée Du Petit Palais Tel: (1) 42 65 12 73
● From Bhagdad to Isphahan: 70 Islamic manuscripts evoking the ancient civilisation of central Asia; to Jan 15 (Not Mon)

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with soprano Elizabeth Futral, mezzo-soprano Claudine Carlson and the Choral Arts Society of Washington. Leonard Slatkin conducts Ravel and Mahler at 8.30 pm; Jan 12, 13, 14, 17 (7 pm)

OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 13, 16 (7 pm)
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 19
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 14 (7 pm), 18

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Economics as part of human condition

BOOK REVIEW

CAPITALISM WITH A HUMAN FACE
By Samuel Brittan
Edward Elgar, £15.95 paperback, £49.95 hardback, 292 pages

This collection of essays by the UK's leading financial journalist ranges widely, from studies in utilitarian ethics to technical macroeconomics. Samuel Brittan is as much at home with John Rawls as he is with Milton Friedman.

He brings to them the humanity, individualism and undogmatic outlook which have marked his weekly Economic Viewpoints in this newspaper since 1967, and the same passion to explain and argue. For Brittan, economics is a "moral science" in the Cambridge tradition. It requires a specialised technique, but is always part of a wider discussion of the human condition.

"What has gone wrong with economics," he writes in his introductory intellectual autobiography, "is the over-emphasis on technique as opposed to underlying ideas".

His own main underlying idea is "non-paternalism". His case for free markets is based not on their efficiency properties but on his overriding belief in people being allowed to "do their own thing".

This has given him a lonely, but distinctive voice. Right-wing intellectuals champion economic freedom, but reject permissiveness; leftwing intellectuals champion permissive life-styles, but reject the market economy. Brittan has no more time for "moral authoritarians" than for "economic collectivists".

Brittan's attractive openness is exemplified in his sane and balanced treatment of the ferocious disputes that have wracked macroeconomics during his career. He was trained as a Keynesian at Cambridge and published a book in 1964, *The Treasury under the Tories*, which accepted the conventional wisdom of the "balance of payments constraint" and praised Reginald Maudling's "dash for growth".

During the 1970s, he made "my only big conscious U-turn" and, with Peter Jay, achieved fame as one of the "terrible twins of monetarism". But his purpose since then has been to marry the insights of Friedman and Keynes.

He took from Friedman not his monetary transmission process but the "natural rate of unemployment" doctrine – the view that there is only one rate, or range, of unemployment consistent with price stability, and that any attempt to reduce unemployment below this by monetary expansion leads to accelerating inflation. This knocked out "unreconstructed Keynesian demand management" of the kind tried in the Barber boom of the early 1970s, but it did not disprove Keynes's contention that a shock to demand might drive unemployment above its natural rate for a long time.

Brittan's reconciliation is for governments to use financial policy to stabilise money GDP – total cash spending on domestically produced goods and services. This will be equivalent to a price level target if the economy is inherently stable, as Friedman believes, but it allows for discretionary policy to maintain total spending if unemployment rises. It is not easy to "hit" a money GDP target, and the problem is compounded by Brittan's desire for an international target to overcome the breakdown of hegemonic monetary systems like Bretton Woods and the ERM. But it is the most hopeful objective for financial policy available.

The reduced role for demand-management gives wage flexibility a more important role in keeping up employment. This offers Brittan the chance to restate his argument for a guaranteed basic income. Originally devised to give an affluent society choices between work and leisure hitherto confined to the rich, he now applies it to the case where the market-clearing wage for the unskilled may be too low to keep them out of poverty.

Brittan is always stimulating, but not always convincing. His main weakness is an aversion to sociological argument. Individuals are his only units of analysis. This is a pity, since much of this book is concerned with the moral prerequisites of capitalism. He shares the mainstream UK economists' belief that capitalism lacks a theory of legitimate property rights and inclines to a pattern of distribution of income and life-chances suggested by John Rawls's "veil of ignorance". But I doubt whether Rawls's ideal of distributive justice corresponds closely to most people's notions of fairness, or that its absence from actual social arrangements has been an important cause of popular opposition to capitalism. Keynes was closer to the mark in identifying the disruption of settled relativities and expectations as the most potent cause of discontent.

As to how the virtues necessary for free markets are to be maintained, Brittan's response seems to be: it is in people's self-interest to be virtuous. As an answer to the claim that capitalism undermines the customs, rules, habits and institutions it needs, this is surely defective. But to recognise that people are socialised into virtue by families and group loyalties raises an awkward problem for his ideal of "free choice in personal matters".

Brittan's sociological blind-spot leads him into a spectacular misreading of Margaret Thatcher's famous remark: "There is no such thing as society. There are individual men and women and there are families." Brittan interprets this to mean that "people should first try to solve their own problems, then help their families..." Did Thatcher really mean that parents should think of themselves first, and then their children? Methodological individualism is a useful barrier against treating collectives as "persons" with "rights", but it offers a limited explanation of behaviour, and is a flimsy basis for morals.

Brittan makes no claims to originality. Here he sells himself short. In today's world, to transcend academic boundaries so effortlessly and gracefully is itself a form of originality, much to be treasured.

Robert Skidelsky

The reviewer is professor of political economy at Warwick University, and chairman of the Social Market Foundation

Michael Lindemann on the jockeying for position in the German telecoms market

Runners and riders poised for the off

This week's announcements of two new alliances to enter the German telecommunications market has added to pressures on the government to speed up the liberalisation of the market.

Viag, the German industrial conglomerate, has formed Viag InterKom, a joint venture with British Telecommunications (BT), the UK's dominant operator, to offer voice and data services. And Northern Telecom, the Canada-based telecoms equipment manufacturer, announced an alliance with Daimler-Benz Aerospace.

These are the latest in a series of ambitious plans to enter the German telecommunications market unveiled over the past four months by several of Germany's largest companies.

More are likely to follow, anticipating opportunities that will come from the European Commission decision to end telecommunications monopolies in member states by January 1, 1998. On or before that date, telecoms operators in most EU countries will be exposed to competition for the first time in telephone voice services and the provision of the telecom network.

Some of Germany's largest companies are jockeying for position ahead of that date, hoping to win a share of Europe's largest telecom market, currently the preserve of Deutsche Telekom, the nationalised monopoly and the world's third largest telecommunications operator. Many hope that Mr Wolfgang Bötsch, the German post and telecommunications minister, will licence competing operators before 1998.

Pressure for earlier liberalisation is being exerted by US telecoms companies which are also eying the lucrative German market. They are threatening to block the plan by Deutsche Telekom and France Telecom, the state-owned French operator, to form a global telecoms alliance with Sprint, the US carrier.

AT&T and MCI, the two largest US operators, have asked the US Federal Communications Commission (FCC) to block the deal until they are given the sort of access to European markets that the Sprint alliance would give the French and Germans in north America. Mr Reed Hundt, the FCC chairman, is visiting Mr Bötsch next week and the issue will be at the top of his agenda.

Currently, the ministry is considering six applications to offer telephone services, ranging from corporate network services to voice telephony to third parties. The applicants include the two biggest German utilities, RWE and Veba.

Bidders for Germany's alternative telecoms networks

Company	Owner
Vebacom	100% Veba
E-Plus	28% Thyssen 28% Veba 21% Bellsouth Enterprises 16% Vodafone Group 7% others
RWE Unitel	100% RWE Energie
Worldcom Telecommunication Services	-
Deutsches Forschungsnetz	350-strong association*
Vereinigte Elektrizitätswerke Westfalen	54.7% municipalities 25.3% Energie-Verwaltungs-Gesellschaft** 20% others

*Includes technical universities and research laboratories across Germany which want to license a broadband network for scientific research. **Contigas, RWE, Deutsche Bank, Allianz

RWE has made its bid through RWE Unitel, its telecommunications subsidiary. The company is already expanding its activities in providing corporate networks to business users.

Veba says it plans to invest DM6bn over the next 10 years in the German market and is behind two applications for licences. One comes from Vebacom, its telecommunications subsidiary: the second from E-Plus, the company that runs Germany's third digital mobile phone network in which it has 28 per cent stake.

A third applicant is also a utility company: Vereinigte Elektrizitätswerke Westfalen. Like RWE, it is majority-owned by municipalities scattered across north-western Germany; they are accused by competitors – and by Deutsche Telekom – of using profits from their local electricity distribution monopolies to fund investments in telecommunications.

Thyssen, the steel-based conglomerate, has also announced its intention to spend DM4bn on telecommunications. Two outsiders that have made applications are Worldcom Telecommunication Services, a Frankfurt-based company, and Deutsches Forschungsnetz, a Berlin-based venture that wants to create a network to aid scientific research on behalf of technical universities and research laboratories.

It remains unclear, however, whether Mr Bötsch is prepared to licence competitors to Deutsche Telekom before the 1998 deadline.

Pressure for earlier liberalisation is being exerted by US companies

The ministry finds itself in an ambiguous position, responsible for Deutsche Telekom and for privatising it some time next year. If it permits the break-up of the monopoly before 1998, it is likely to reduce the proceeds of the privatisation.

Mr Bötsch has said that he will consider awarding licences to operators other than Deutsche Telekom if they can persuade him that they offer "technical innovations" which the state-owned monopolist does not. However, offering existing services more cheaply would not be sufficient, the ministry says – though it has yet to make clear exactly what it means by "technical innovations".

Optimists hope that details of the criteria to be fulfilled by operators hoping to compete with Deutsche Telekom will be ready by the end of the year – and that at least one competitor will be licensed.

The UK model of allowing any operator who meets the criteria to offer services seems unlikely, given the German predilection for orderly liberalisation. More probable is that Mr Bötsch will licence a single competitor, in much the same way that the mobile telephone market was divided up in 1989 between Deutsche Telekom and one outsider.

Pessimists fear that Mr Bötsch will do little or nothing before 1998. "Using language like technical innovation is no way to organise access to the telecommunications market," says a German telecommunications insider. "Mr Bötsch is trying to fudge the issue."

Progress in preparing for liberalisation has already been painfully slow. It was only on January 1 that Deutsche Telekom was turned into a joint stock company in preparation for privatisation next year – a process that took so long that "a small miracle" would be needed for the monopoly to be broken up before 1998, according to a telecoms insider.

"The big liberalisation spring has not broken out in Germany," says one observer. "Instead I have the impression we are steering towards something of an ice age."

Deutsche Telekom is privately hoping that new legislation to break up the voice monopoly will not be ready much before 1998.

This is not surprising as the company is likely to face stiff competition once its monopoly is broken. Viag InterKom, for example, believes it will have advantages over Deutsche Telekom when it is allowed to offer services to business.

BT currently offers its UK customers a two-megabit leased line of the sort used for business-to-business communications for a monthly charge of £761; it says that Deutsche Telekom offers the same service for £1,573.

When it comes to telephone calls – the all-important voice services where analysts estimate that 80 per cent of the profits are to be made – BT offers business calls to North America for £1.01 for three minutes. The same call from Germany costs £2.42, it says.

And Viag InterKom has one significant advantage in the battle to win a licence to compete with Deutsche Telekom.

The Bavarian state government has a 25.1 per cent minority controlling stake in Viag. Mr Edmund Stoiber, the Bavarian state premier, has said that he wants to see at least one telecom licence awarded to a Bavarian operator.

Viag has twice failed to win licences for mobile phones and data transmission – with licences being awarded to companies such as Mannesmann and others based in the Rhineland and the Ruhr. Mr Stoiber is in a strong position to ensure that Bavaria does not lose out in the next round of licences. His party, the Christian Social Union, is the Bavarian sister party of Chancellor Helmut Kohl's Christian Democratic Union – and performed better in the October general election than the other two coalition partners.

Mr Stoiber is prepared to use his new-found weight to press for earlier liberalisation – and to ensure that the new venture is not left behind in the next round of licencing.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Reality shows pegged rates do not work

From Sir Alan Walters.

Sir, I am delighted to see that Samuel Brittan now says ("How to downsize the US today", January 9): "Fixed, but adjustable, (pegged) exchange rates of the Bretton Woods or ERM types are probably no longer a realistic option; and a straight choice has to be made between floating and a full monetary union with partner countries".

For many decades I have argued that, in the absence of stringent exchange controls, so-called fixed-but-flexible rates would give perverse monetary policies, intolerable capital flows and periodic crises. The travails of the ERM countries, and particularly the experience of the UK from 1987 to 1992, are all consistent with this critique.

After many years in which he championed Britain's entry into the ERM, Samuel Brittan has demonstrated his intellectual integrity in recognising the reality that pegged exchange rates do not work. Alas, this does not mean that "fixed-but-flexible" rates are as dead as the dodo. Far from it. The Bretton Woods Commission, a collection of distinguished ex-central bankers, finance ministers and economists, urged that the main currencies be put into a "fixed-but-flexible" pegged system to be administered by the International Monetary Fund. The peggers have not recanted.

Perhaps the sad case of the pegged peso will cause these luminaries to re-examine their pet projects again in the light of the evidence from south of the Rio Grande.

Together with my old colleague Steve Hanke [professor of applied economics and a postdoctoral fellow at the Johns Hopkins University], we visited Mexico in April and formed the view that the peso would soon run into the usual flight-of-capital crisis, as it became clear that the authorities could not hold the peso above the gradually (4.5 per cent per annum) sinking floor.

In a Forbes article in July we said devaluation was inevitable. But Mexico should not try yet another pegged system. The viable alternatives were to float or to institute an absolutely fixed rate through a currency board on the US dollar. Both alternatives have advantages as well as drawbacks but, unlike the peg, both are feasible.

For my part, I doubt whether we shall ever see a new Bretton Woods, or even a newly pegged ERM. Compared with their forebears on the Bretton Woods Commission, the new generation of finance ministers and central bankers have a much more healthy respect for disequilibriating capital movements.

Alan Walters,
vice-chairman and director,
AIG Trading Group,
1200 19th Street NW, Suite 605,
Washington DC 20036, US

Too restrictive a contract?

From Mr Kevin d'Arcy.

Sir, More power to the elbow of those who have left Saatchi and Saatchi in the face of tactless behaviour lately. And let us wish them well in becoming competitors.

I think they will find that attempts to stop them, despite whatever was written in their contracts, would be legally described as a restriction on trade. Again, don't accept the Saatchi and Saatchi statement.

Kevin d'Arcy,
secretary,
Association of European Journalists,
British section,
20 Cardigan Road,
London E3 5HU

Wine wrong by a long measure

From Mr Geoffrey Martin.

Sir, It is not often that the FT gets it wrong. However your recent article "Measure for measure" (December 24) puts the blame squarely on Brussels' shoulders for a new law in the UK on serving wine by the glass.

A Department of Trade and Industry spokesman is even quoted as saying it is intended "to bring [the UK] into line with the rest of Europe".

There is no European legislation which has any effect on the amounts of alcohol served in pubs, bars, hotels or restaurants.

Actually the offending item is the UK's very own Weights and Measures (Various Foods) (Amendment) Order 1990.

Geoffrey Martin,
Head of the Representation in the UK,
The European Commission,
8 Storey's Gate,
London
SW1P 3AT

Wrong French lesson for audiovisual development

From Mr Dermot Nolan.

Sir, "Télévision a la Française" (your leader, January 10) has a thorough pedigree in disastrous decisions for the French audiovisual industry. The French transmission standards choices (1948, 1964, 1986 and 1991) isolated France from most of Europe. The "Plan Cable" 1980s superhighway cost FFr25bn to cable past 25 per cent of French homes with subsequent cable company operating losses of FFr3bn to date, and the national direct-broadcast satellite television programme was demolished.

The deregulated UK broadcasting and telecommunications environment has established London as Europe's pre-eminent satellite broadcasting centre for many countries serving as a role model for the future "convergence" industries. This would not have occurred had quotas been enforced. Video-on-demand is likely to be a central service in the successful roll-out of the advanced European multimedia and information industries. It vitiates the entire concept of quotas, as the power passes to the consumer.

The damaging imposition of quotas on new on-demand and interactive services across Europe would seriously impair the consumer attractiveness of these services, reduce market penetration and delay the pay-back on the very high up-front infrastructure investment which is required.

The rest of Europe must steel itself to see off this latest adventure in high-tech Colbertism.

Dermot Nolan,
director,
Convergent Decisions Group,
1 The Mews,
Putney Common,
London SW15 1HL

Auditing board has different understanding of democracy

From Dr Prem Sikka.

Sir, Mr W I D Plaistowe, chairman of the Auditing Practices Board, claims (Letters, January 6) that comments by me and 36 academics on the board's role were "inaccurate and misleading". He claims to provide evidence for his supposed refutation. This "evidence" deserves scrutiny and three comments are offered.

The APB has a democratic mandate, he says, the evidence being that its members are "appointed by a selection committee". This stretches the definition of democracy beyond breaking point. In contrast to Mr Plaistowe, we understand democracy to involve election, not appointment.

Mr Plaistowe claims that the APB is independent of the profession, explaining that "50 per cent of the board comprises auditors and 50 per cent non-practitioners" (he does not say how many of the latter are accountants). On this reasoning, if 50 per cent of Mr Yeltsin's current government were to comprise soldiers, Mr Plaistowe would consider it independent of the army.

He tells us that it is untrue that the APB is unduly influenced by the Big Six accountancy firms. If counting heads constitutes conclusive influence, we must infer that Lord Hanson has little influence on the board of Hanson Trust.

Prem Sikka,
East London Business School,
University of East London,
Longbridge Road,
Dagenham, Essex RM8 2AS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday January 12 1995

Caveat Contractor

As the November elections proved, tax cuts and a "balanced budget" are highly marketable propositions in the current US climate. The "Contract with America", the Republican party's manifesto, contained both. Mr Newt Gingrich began the year promising an "honest dialogue" about bridging the credibility gap between the two pledges. But his first weeks as speaker of the House of Representatives have seen only further attempts to paper it over.

The balanced budget amendment is central to the Republicans' claim that they can be fiscally responsible as well as popular. A bill to amend the constitution to require a balanced federal budget by 2002 will come to a vote in Congress in about two weeks' time. As is well known, the economic logic behind such a rule is flawed, at best. Certainly, the devil would be in the detail. The Republicans have yet to explain how either the "budget" or the "balance" would be defined, but both provide plenty of scope for making the rule more "flexible".

The best theoretical argument for the amendment is that it could force a worthwhile fiscal debate. It has been 25 years since the US federal budget was in surplus. On average, Presidents Reagan and Bush allowed the US federal debt to rise by around $1 trillion per four-year term.

Mr Gingrich and others would deserve some credit if the amendment triggered public debate about the costs of putting that legacy right. The trouble is that, like several other measures proposed in recent weeks, it looks set to achieve the reverse, removing the last grains of responsibility from an otherwise irresponsible programme. House majority leader Mr Richard Armey has made this explicit, saying recently that he was "convinced" that revealing the detailed cuts needed to adhere to the balanced budget amendment would make it "virtually impossible" to pass the bill.

It is not difficult to see why. The Congressional Budget Office calculated recently that the federal government would need to find cuts totalling $1,200bn to bring the budget into balance in seven years. The Republicans' preferred target for cuts – "welfare spending" on poor families – would hardly scratch the surface. Aid for Families with Dependent Children cost the federal budget less than $14bn last year. The bulk of federal spending is taken up with interest payments on the debt and middle class "entitlements" like Medicare and Social Security, both of which most Republicans and Democrats have pledged to protect.

Hard truths like these may well prevent the amendment from winning the required two-thirds majority in both the House and the Senate. A similar bill failed by only four votes in the Senate last March, but several supporters have since had second thoughts. A larger obstacle could be the states, a majority of which would have to ratify the amendment. Many fear, rightly, that ill-considered cost-cutting in Washington would mean rising costs for them.

Again, Mr Gingrich has an answer: a bill to prevent the federal government from imposing "unfunded mandates" on the states. A better answer would be to explain clearly how he plans to lower the deficit despite the tax reductions costing $726bn over the next 10 years outlined in the "Contract with America". Until he does, his pledges for "honest dialogue" will have a hollow ring.

Free to disagree

Singapore has achieved enough in the last three decades to allow its government to withstand the occasional brickbat. From virtually a standing start, it has catapulted itself into the developed world. Affluence is widespread, the infrastructure well-developed. In many areas – from use of technology to policies on traffic congestion – it has much to teach the west. So it is unfortunate that its reputation is undermined by its extraordinary sensitivity to the press.

The latest newspaper to experience problems in Singapore is the International Herald Tribune. It is being sued by ministers over a statement about Singaporean politics and, separately, has been charged with contempt of court over allegations about the judiciary in unnamed Asian countries. Whatever its merits, the effect of this litigation is to inhibit discussion of Singaporean affairs at home and abroad. The impression that the press is being cowed was enhanced by the prosecution of three local journalists last year for prematurely releasing economic data.

Singapore's official line is that it is a small, fragile country that needs "a strong and fair government to survive" and that it objects to being "continually criticised, vilified and ridiculed in the media". This point of view may have been understandable 30 years ago. It is not now. One cannot imagine the country's achievements fading because of criticism of its institutions.

Free debate, free markets and economic prosperity have always been linked in the western world. There is no reason to believe that will not ultimately prove so in the east. Singapore would seem stronger if it were seen to tolerate open political debate. Its reluctance to do so suggests a lingering lack of faith in its own achievements.

Legal aid

The UK's legal aid scheme is out of control and must be radically recast. That is the message of yesterday's speech by Lord Mackay, the Lord Chancellor, setting out ideas for reform.

Lord Mackay offered a compelling analysis of the malaise. Spending on the legal aid scheme has nearly doubled in the past four years. Yet the Lord Chancellor is rightly unconvinced that society is getting value for money from its largesse. Quality control is weak. Lawyers often have a vested interest in taking on work which might be better and more cheaply resolved by other means, such as formal mediation. The budget is not cash limited, and costs are contained largely by the crude process of ever tighter financial eligibility rules.

Lord Mackay believes it is time to introduce cash limiting, greater quality control, and incentives to ensure that legal aid is spread across a broader range of providers of legal services than now.

All three principles are sound. Access to justice is vital to a healthy society. But so is access to other services provided by the state. The government rightly senses that public opinion will not tolerate much overall increase in public spending, so the task is to balance priorities. At £1.3bn this year, legal aid will consume more than it would cost to introduce universal nursery provision for all 3 and 4 year-olds. The ceiling for legal aid spending is approaching.

Nor can there be much argument against steps to ensure that legal aid providers observe minimum standards, and that lawyers only take on work which could not be more effectively and cheaply carried out by bodies such as Citizens Advice Bureaux.

Lord Mackay is not attracted to the idea of extending "fund-holding" – third parties who would control local budgets and adjudicate on the relative merits of bids for aid – to the legal sphere, because of the new tier of bureaucracy necessary. Instead, he wants to cash limit the total budget, and to set up regional committees to help establish priorities between types of work and geographical areas. The area offices of the Legal Aid Board would negotiate "block contracts" with accredited providers of services, who would include a wider variety of practitioners than now.

This framework offers a significant improvement on the status quo. Yet two serious difficulties are apparent. First, within the terms of the block contracts, lawyers under the new scheme appear to have no greater incentive than now to contain costs or to refer work to more appropriate practitioners. Second, what happens to deserving cases once regional budgets have been exhausted?

The first weakness may not be so serious in practice, since new financial incentives offered to such bodies as CABs and trade unions ought to encourage them to offer their own services rather than to pass cases up to solicitors. The Legal Aid Board and its area offices will need to be proactive in this respect.

The consequences of cash limiting are less easy to resolve. The best way forward may be to draw up a charter setting out the core areas in which individuals have a right to "appropriate" aid. If individuals come up against an exhausted regional budget, they could exercise a charter right to assistance, which would have to be met from a national reserve.

In such marginal cases the national board would act as the purchaser of services. It would be in a position to exert pressure on regions to negotiate more realistic contracts in future. If, however, the problem lay in the inability of regions to meet demands with available cash, the logical consequence would be an open debate on relative priorities as happens in other essential services.

Buffeted by the turbulence

Peter Norman asks whether the global economic recovery has been jeopardised by recent market jitters

To go swiftly from hubris to nemesis is a familiar enough experience for the world's economic policymakers and commentators.

So to find financial markets celebrating the start of what was supposed to be a year of rising global prosperity with an apparent fire sale of currencies and financial assets should come as no great surprise.

The Mexican peso has fallen precipitately since its bungled devaluation before Christmas, currencies and bonds in some of Europe's politically troubled and heavily indebted countries have fallen sharply, while the dollar has been unsettled. It seems difficult to reconcile such trends with recent official and private sector forecasts of steady growth and low inflation in most countries.

The International Monetary Fund's most recent forecast, published three months ago, envisaged healthy 3.6 per cent world growth this year. In December, the Paris-based Organisation for Economic Co-operation and Development forecast growth for all of its industrialised member states this year and next, with expansion averaging about 3 per cent annually.

Even after the latest bout of turbulence, Mr Allen Sinai, chief global economist of Lehman Brothers, the US investment bank, was telling fund managers and bankers in London yesterday that the world was enjoying a sychronised upswing that could turn into an unprecedently long expansion.

"Never in Lehman's experience has so much growth been going on around the world," he said. Of 45 countries covered by the Lehman Brothers global economics team, only three – Mexico, Venezuela and Russia – were expected to experience falling output this year.

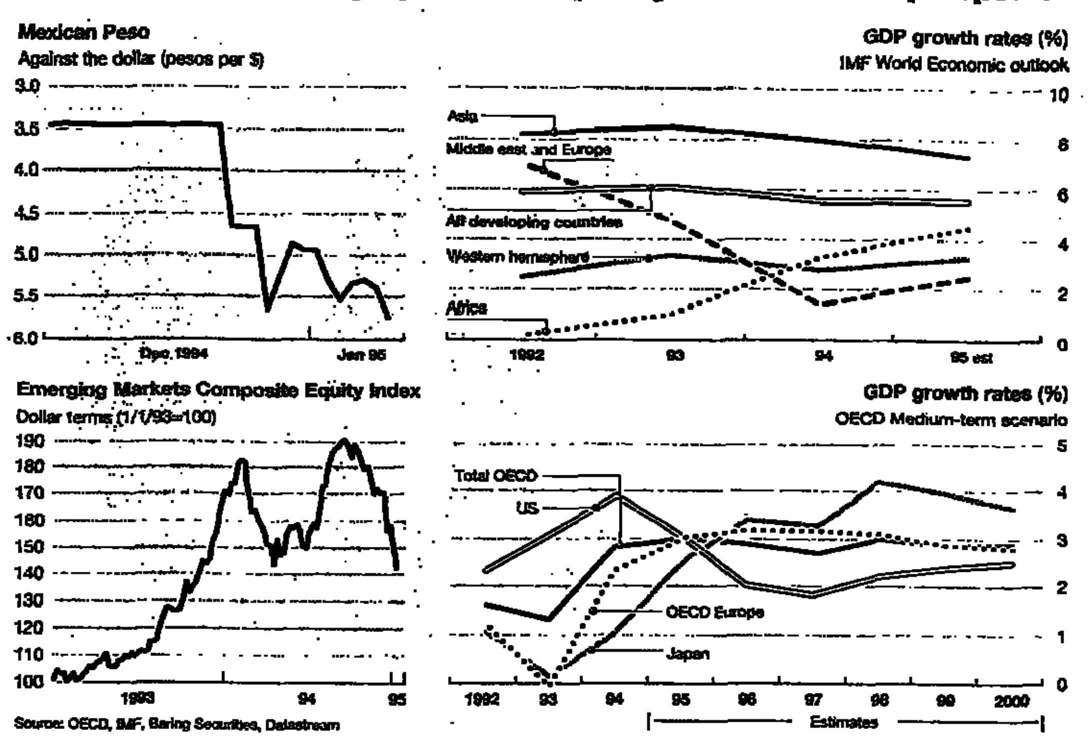
This week's spread of market jitters from Mexico to other Latin American countries and around the edges of the European Union from Italy to Spain and Sweden may not jeopardise this sychronised economic recovery from the recessions and slow growth of the early 1990s. But it serves as a reminder that financial markets are no respecters of government wishes and timetables when the world is undergoing rapid and far-reaching change.

Indeed it is the nature of this change – summed up in the word "globalisation" – that almost guarantees that growth will be accompanied by bouts of market turbulence.

Technological change, symbolised by the marriage of the computer to telecommunications and television technology is shrinking the world at an ever faster rate. Information travels the world at the speed of light in ever greater quantities.

One lesson of recent market developments may be that understanding has difficulty keeping up with the information flows. In fact, it often seems to travel between nations at the speed of sail as in Columbus's day.

Could trouble in emerging markets upset global economic prospects?



Source: OECD, IMF, Baring Securities, Datastream

In this environment, traders and financial markets are prone to suffer from a herd instinct, make mistakes and then scramble together for the door marked "exit".

This was the case last year in the US, where the precise timing of February's widely expected tightening of monetary policy caught markets unawares. US bond traders have still to recover after that shock.

In the early 1990s, emerging markets in fast growing developing countries attracted western fund managers anxious to escape the limitations of slow growth in the industrialised countries. By 1993, small investors in the US and elsewhere were following their lead and piling into emerging market funds invested in Latin America and Asia.

In the case of Mexico, it was especially easy to suspend judgment. The country was being feted as a fully fledged industrialised nation, signing the North American Free Trade Agreement with the US and Canada and becoming a member of the OECD last year. The strains caused by maintaining a strong exchange rate to curb inflation, as well as domestic political tensions, were easy to overlook until brought to the markets' attention by a crisis decision, such as December's devaluation. Then the assumptions of much portfolio investment in Mexico were radically revised, prompting a flight of funds from the country.

Few market operators had stopped to question whether Mexico should have counted as an industrialised country when it was a focus for inward investment. Yet according to the World Bank, its gross national product per head expressed in terms of purchasing power parity was only $7,100 in 1993. That was not only sharply lower than US GNP per head of $24,750 and Canada's $20,410, but also below that of some countries outside the industrialised world as understood by policymakers. On the World Bank measure, Malaysia, Chile, Argentina, the Czech Republic and Mauritius are more prosperous than Mexico.

Now, however, markets have probably gone too far in downgrading Mexico. This week's rates for the peso against the dollar indicate a devaluation of more than 60 per cent since December 19.

Europe has also suffered from suspension of belief. It has been clear for some time that varying budget deficit levels could create problems. The Maastricht treaty criteria for entry into the proposed European economic and monetary union have underlined the division between countries such as Germany, Austria and the UK, which are likely to meet the targets for deficits and debt as a portion of gross domestic product by 1997, and others with much greater debt burdens. After political crisis in Spain and Italy and market scepticism about the deficit-cutting credentials of a new minority government in Sweden were added, the scene was set for the abrupt withdrawal of international support from currencies and bonds.

Disruptive though such events are, they need not stall world economic growth. Mexico, which the OECD expected would grow by 4 per cent this year and 4.3 per cent in 1996, could now face stagnation or recession. But its growth would have been only a small part of a global upswing that has acquired considerable momentum.

Recent figures point to continued strong growth in the US. Continental Europe, and Germany in particular, grew more strongly than expected last year. Britain has been growing at its fastest annual rate for six years with underlying inflation at levels last seen 30 years ago. Low inflation in the leading economies should make this recovery more durable than past upswings.

China and India continue to grow with huge demands for capital goods. The end of the cold war and the spread of free market ideology should aid a rapid expansion in world trade in the years ahead.

Although policymakers should not ignore the nervousness of financial markets, especially where fiscal deficits are concerned, they can probably draw comfort from the way the world has ridden out crises in the past. The October 1987 global stock market crash provoked fears of a 1930s type depression. In the event, the world economy continued to grow strongly through the period of equity meltdown.

The Latin American debt crisis of 1982 was disastrous for the region, condemning it to a "lost decade" of slow growth. But it helped usher in a lengthy period of recovery in the industrialised world as the US Federal Reserve lowered interest rates in response.

Recent market disturbances have yet to reach such dramatic intensity. As far as the foreign exchange markets are concerned, it seems that some movements have been exacerbated by lack of liquidity.

Mr George Magnus, international economist at S.G. Warburg, the UK investment bank, put this week's flight of funds into the D-Mark and Swiss franc at "not much higher than five on the Richter scale". Providing this is a general perception, and no as yet unseen threat to the global financial system emerges, recent turbulence should not upset the world economic recovery.

Beware of soft options for security

PERSONAL VIEW

Russia's place in Europe and the world remains a wide open question. If the dominions of the former Soviet Union were all flourishing, and the Russian bear had finally been converted to vegetarian frugality, Europe might continue to live on procrastination.

But the end of the Soviet Union is still, and will continue to be, Europe's overriding security problem. It will influence much of the European agenda for decades to come. The conflict in Chechnya gives us an unpleasant taste of what may be in store.

An important part of the task of resolving this security problem falls to the Western European Union, an organisation which the new members of the European Union – Austria, Sweden and Finland – now have the right to join.

The WEU, formally the second pillar of Nato, is also the "defence component" of the EU. It has awoken from its cold war slumber. Yet, as an alliance, the WEU falls short of living up to the strategic role it is called upon to carry out. If security links between the US and Europe are not to be called into question, action is needed to ensure that the WEU's joint security commitments are made fully compatible with those provided under Nato.

According to the Maastricht treaty, the WEU is "an essential element" of a future European defence policy. At the Nato summit of January 1994, combined joint taskforces were envisaged, with the US lending some of the hardware, the Europeans providing the troops. France and Germany have formed a "Eurocorps" (with the participation of Belgium and Spain) as a means of making available troops in both a Nato and WEU capacity.

At the same time, something resembling a WEU membership card is now being issued to a number of countries beyond the Nato defence umbrella. Last year nine countries that were formerly part of the Soviet bloc became "associate partners" of the WEU. However, the value of this membership card may not be quite as high as they had earlier thought.

The WEU's enthusiastic but ill-defined commitments towards such "partners" risk undermining the mutual defence guarantee between North America and western Europe that has bound Nato together for four postwar decades.

The WEU treaty contains an even stricter commitment to mutual security than the equivalent passage in the Nato treaty, but no one can tell what this implies for countries which are simply "halfway house" members.

The Finns' relative certainty has now given way to alarm about their next-door neighbour

The membership of the EU of the Nordic countries, above all that of Finland, throws into sharper focus the nagging questions over Europe's future defence strategy. Among the less enviable items the Finns bring into the European Union are 1,300km of common border with Karelia, a Russian neighbourhood full of bitterness, depression and nuclear weapons.

When the Finns opted for EU membership at the end of last year, the Yes was motivated not by agriculture or forestry but by security. In the past, Finns knew how to live side by side with the Soviet Union, but that relative certainty has now given way to Finnish alarm about their next-door neighbour.

These worries are a dominant reason why Finland is now considering associate membership of the WEU or observer status.

The accession of a country that confronts head on the new Russian uncertainties underlines how Europe needs to guard against overstretching its new security commitments. Europe will continue to need the US as a strategic balance to the power of Russia. The countries east of the present EU will need political and economic reassurance from the rest of Europe, but for their strategic reinsurance they have no choice but to turn to the US, either directly or through Nato.

It would be unwise, therefore, for the Europeans to promise more through the WEU than the US might be willing to honour. The crisis in the former Yugoslavia has offered a painful reminder of the harm that can be wrought by uncertainty and disagreement between the US and Europe.

A meaningful common European foreign and security policy does indeed need European military capability, but this will be credible only if it is firmly anchored in Nato.

The gradual extension of the WEU risks stretching Europe's defence commitments towards breaking point. Hollow promises may be acceptable under fair weather conditions or for a time of transition. But it would be unwise to wait for a real test and to discover that, when the curtain rises, the stage is empty.

Michael Stürmer

The author is director of Stiftung Wissenschaft und Politik, the German foreign affairs and defence policy institute based in Ebenhausen

OBSERVER

Warburg's wobbly ways

■ What is S.G. Warburg up to? The investment bank announces it is quitting eurobonds, while at the same time saying it will continue to sell sterling and convertible bonds to UK investors. Will this mean it will be withdrawing its representatives from membership of the eurobond clubs, IPMA and ISMA? It seems not.

At the International Securities Market Association, the eurobond trade body, Warburg's Simon Ellen is ensconced as chairman of the council of reporting dealers. He is also expected to go on to the main ISMA board in May. He does not sound as if expects his position to change. "The firm continues as a 'reporting dealer' in sterling and convertible bonds," he points out.

On the board of the 10-year-old underwriters' group the International Primary Markets Association – whose first chairman John Sanders was then a Warburgs man – sits Denys Firth, who is also on IPMA's executive and communications committees. Firth, a director of Warburg Securities, is rather more cagey, pointing to a meeting next week where the matter will be raised. But it hardly sounds as if anything dramatic will happen there either, at least in the short term.

Should Firth and Ellen both stay in place, Warburg watchers might start questioning whether the firm wants to be seen to be changing more than it actually is.

Transport of delight

■ Neil Kinnock, the European transport commissioner-in-waiting, is a busy man. Having survived his first official outing in Brussels he had to dash back to London yesterday in his role as MP for Islwyn to vote against the government which had put him up for his new post. If the former Labour leader insists on holding down both jobs for much longer, it will reinforce, at least, his interest in improving the transport links between Brussels and South Wales.

Heath's cliff

■ Shooting the messenger is a practice alive and kicking in Mexico, as Jonathan Heath, one of the country's most respected economic consultants and media-friendly pundits, can testify.

Mexico is experiencing a spot of bother. Just the sort of thing Heath has been predicting for some time. So why has he abruptly quit his post as director of the research firm he established, Macroasesoria Economica (MAE)?

Heath has a sound analytical reputation and his business has grown through quick quotes and garnering the resulting free publicity. So when Banca Serfin, Mexico's third largest bank, was flush and wanted a high profile leader for its research department, it bought MAE in 1993 and made Heath a director.

So long as all was well, Heath's occasional biting comment about the peso's over-valuation simply marked him out as an independent thinker, another sign that Mexico was becoming a truly modern country.

But with the plummeting peso, Serfin, along with the rest of the Mexican banking system, has been thrown into chaos. Heath kept on telling it like it is, ie, the Mexican government's economic figures for 1995 were way too optimistic. Now Heath is no longer with MAE; indeed, word is, he was pushed.

'I had a lot of time for the old governor – not that I was here all that often'

Wilting

■ Now that Maurice Saatchi has announced plans to set up a new, eponymous advertising agency with his gang of four – oddly enough, brother Charles is still president of the *old* Saatchi, though why and for how much longer is anyone's guess – would-be clients might be interested in hearing this anecdote from a colleague who lunched with Maurice not long ago at Wilton's, an up-market London restaurant.

The guru asked the hack his opinion of advertising. "Well. . .," responded the journalist, clearly in some doubt about the profession's credentials. Maurice jumped in: "I know what you're going to say," he quipped. "Flaky. You think it's flaky. And let me say – you're absolutely right."

Lesson one: tell the clients what you think they want to hear.

Not tonight, Alex

■ In a sorely disillusioned Russia, where so many of the democratic revolution's early heroes have been tarnished by Chechnya, are there any potential leaders who could still hold high the torch of idealism?

Step forward the chronicler of Stalin's prison camps, Alexander Solzhenitsyn, who returned to Russia last May after 20 years' exile. In a letter to a Moscow newspaper yesterday, 11 political activists – ranging from an environmentalist in Omsk to a strike organiser in Penza – urged him to stand as head of state. "Like Nelson Mandela or Vaclav Havel, you could still be a symbol of the nation, a moral beacon around whom the best people would unite," they argue.

Mind you, not everyone will jump for joy at the proposal of President Solzhenitsyn. Take the ex-Soviet republics of Kazakhstan – whose northern half has been described by Solzhenitsyn as a natural extension of Russia. Kazakh nationalists recently said that the great man should pay with his life for having dared to question the republic's borders. Whereupon ethnic Russians in Kazakhstan demanded criminal proceedings against the writer's detractors.

Oh well, back to the drawing board.

Going cheap

■ What next for Parkhurst prison now that Michael – my-job's-not-on-the-line – Howard has sacked the unfortunate governor? An advert in the businesses for sale section of the FT seeks offers for an anonymous holiday park on the Isle of Wight: 45-acre freehold, 158 chalets, central bar and function suite, potential for expansion etc, etc. No sitting tenants?

FINANCIAL TIMES
Thursday January 12 1995

Hanoi agrees to accept repatriation of up to 40,000 immigrants

Germany to give aid to Vietnam

By Judy Dempsey in Bonn

Up to 40,000 Vietnamese who lived in the former communist east Germany face repatriation because Hanoi has agreed to accept their return in exchange for economic aid.

The German cabinet yesterday endorsed a package in which Bonn will offer DM100m ($65.3m) in economic development aid and extend export credit guarantees worth a further DM100m.

German enterprises, which have been seeking a slice of the rapidly expanding market in Vietnam, particularly in infrastructure development, welcomed the decision. Businesses have had no access to export credit guarantees since 1990, and Vietnam had little economic development assistance. Economic ties were blighted by Vietnam's reluctance to accept the return of its citizens who went to east Germany in the 1970s and 1980s to work, mostly as labourers.

After reunification, about 60,000 returned to Vietnam, but about 95,000 stayed in Germany. Some 55,000 have acquired residence permits. The remaining 40,000 are covered by the repatriation agreement and 20,000 are to return over the next five years and the rest later.

The dispute was settled during a visit to Vietnam this month by two German officials, Mr Bernd Schmidbauer, state secretary at the chancellery, and Mr Werner Hoyer, state secretary at the foreign ministry.

Mr Werner Hoyer said the repatriation issue was part of a package which "cut the Gordian Knot of relations that for years have not been as good as they should or could be".

The Bonn government is especially keen to repatriate the 20,000 asylum seekers and 10,000 people it regards as illegal settlers.

Hanoi's earlier refusal to accept them was matched by Bonn's uncharacteristically tough decision to block export credit guarantees and economic development help. The German government's attitude was also influenced by the increasing anti-foreign sentiments in Germany during 1992 and 1993.

The decision to extend aid and trade credit insurance was immediately welcomed by the DIHT, the country's industry and trade organisation. "Vietnam is an attractive market which has huge potential," it said. Mr Hoyer said German industry was anxious to play a greater role in reconstructing Vietnam's economy.

Despite the absence of export credit guarantees, German imports and exports to Vietnam have significantly increased over the past three years, largely because of reforms by the Hanoi government.

In 1993 German imports from Vietnam totalled DM482m, a 32 per cent increase on the previous year, while exports in 1993 rose to DM203m, a rise of 160 per cent. Exports are expected to reach DM500m for 1994.

Yeltsin move over army

Continued from Page 1

nya after the failure of its attempted ceasefire.

But Mr Dzhokhar Dudayev, Chechnya's president, who yesterday appeared in public for the first time in three weeks, said Moscow could not achieve its ends by force "even if they raze all of the mountains to the ground".

Wearing a general's uniform and cap, Mr Dudayev repeated his calls for a negotiated settlement to Moscow's more than month-long attempt to crush Chechnya's independence drive.

"The only solution is a peaceful solution. There can be no military solution of these problems," Mr Dudayev said, speaking at a secretly arranged news conference at an oil workers health clinic on the outskirts of Grozny.

Mr Dudayev claimed that more than 18,000 civilians had already died in the fighting and for perhaps the first time he admitted the possibility of military defeat.

"The Chechens may not counteract Russia physically," he said, "but the spirit of the people, and their aspirations for freedom may not be taken away from them by anyone but God."

Mr Dudayev would not clearly answer whether Chechnya would agree to autonomy within the Russian Federation. He only answered "when a house is burning you should first put it out before considering such questions".

The Russian parliament, which yesterday held a special session to discuss the crisis, rejected attempts by the liberal factions to call for an end to the fighting.

Nato's 16 members said that they still wanted better relations with Russia despite their "deep concern" over the bloodshed.

Alliance officials said Mr Strobe Talbott, a US official who handles relations with Russia, won a broadly sympathetic hearing when he urged a meeting of Nato ambassadors to keep the door open to Russia and avoid pushing it into isolation.

UK rate rise 'less likely' as industrial output falls 0.7%

Figures surprise London dealers expecting continued growth

By Gillian Tett and Robert Chote in London

A surprise fall in the pace of industrial growth yesterday eased market expectations of an early rise in British interest rates.

A 0.7 per cent monthly fall in manufacturing output in November surprised the City, which had expected the recent surge in growth to be maintained.

Market sentiment shifted as dealers concluded it was now less likely that Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, the governor of the Bank of England, would agree another base rate rise when they meet early next month.

These suspicions were fuelled by the publication yesterday of minutes of the December 7 meeting, at which they agreed the last base rate increase to 6.25 per cent. This showed that the last move was triggered largely by news that the economy was growing at well above the rate it has been able to sustain in the past without a rise in inflation.

Mr George had also cited October's strong industrial production data at the meeting as evidence that growth remained strong into the fourth quarter.

But yesterday's industrial production data led some analysts to forecast that figures published in ten days' time will show fourth quarter growth falling to what is regarded as a sustainable rate of 0.6 to 0.7 per cent.

The Central Statistical Office yesterday said that industrial production had fallen by a seasonally adjusted 1 per cent between October and November – its first such fall for nine months.

Unusually warm weather in November reduced the output of the electricity and gas sector, with gas production alone dropping 17 per cent. However, most manufacturing sectors also recorded a small dip in output. The CSO said that it had now revised its estimate for underlying annual manufacturing growth to 4.5 per cent, against last month's estimate of 5.5 per cent.

Any dip in growth may provoke unease from business groups, which have warned that the recent rise in interest rates could damage business confidence. The Treasury yesterday said: "It seems that output growth may be slowing to a more sustainable rate."

See Lex
More economic news, Page 6
Bonds, Page 22
Currencies, Page 32
London stocks, Page 27

Clinton positive at summit

By Nancy Dunne in Washington

Mr Bill Clinton, the US president, and Mr Tomiichi Murayama, the Japanese prime minister, yesterday held a summit meeting aimed at cementing bilateral economic ties despite recent arguments over trade in car parts and other issues.

Both leaders pledged to focus on the positive aspects of the relationship and avoid the divisive trade disputes which have marred previous US-Japan summits, including last year's Washington meeting.

Both men, facing domestic political difficulties, wanted a successful summit to improve their standing. As the two leaders met yesterday Mr Clinton joked: "When the Japanese press comes in here, they might say, 'Do you expect to make progress here given the political situation in the United States?'"

He added: "Of course I do."

The stage for progress was set by the finalisation on Tuesday of a wide-ranging agreement for greater access for foreign companies in Japan's fund management and other financial services markets.

To ensure an unclouded summit Washington withdrew a stamp scheduled for release on the 50th anniversary of the end of the second world war and which pictured the atomic explosion over Hiroshima.

Although the US and Japan completed six important trade pacts over the year, the thorniest – cars and car parts – could not escape mention, even after negotiations were delayed until the end of this month.

Mr Ron Brown, the US commerce secretary, said the $62bn trade deficit with Japan was "unacceptable" and insisted that the US government would negotiate directly with Japanese vehicle makers.

Toyota, Japan's largest car maker, and Honda have already rejected such talks. The Japanese Automobile Manufacturers Association in advance of the summit issued a statement saying there were no barriers to sales of US vehicles in the Japanese market.

Mr Clinton said after the meeting that he believed the trade deficit would narrow if the Japanese economy continued to grow and the two countries implemented trade agreements which they hadreached.

Japanese carmakers reject US move, Page 3

THE LEX COLUMN

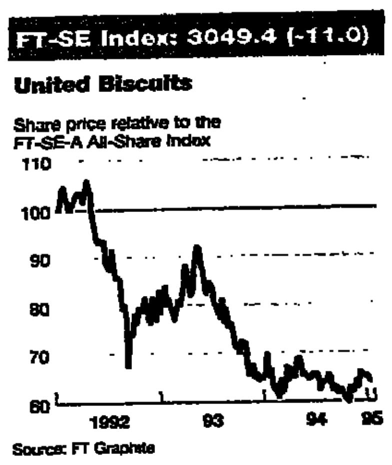
Rate ruminations

Many were quick to conclude yesterday that there was little likelihood of a further early rise in UK interest rates. Both November's sluggish industrial production figures and minutes of the chancellor's December meeting with the Bank of England Governor were read as suggesting as much. But it would be wrong to jump to conclusions. For a start, the governor, Mr Eddie George, is unlikely to place much reliance on backward-looking monthly figures, which could easily turn out to be a freak. Moreover, though Mr George last month noted that consumption and housing were subdued, that did not deter him from immediately increasing rates by half a percentage point.

The governor seems more likely to err on the side of caution. Unless there is solid evidence to the contrary, he will probably cling to his view that the economy is growing faster than is sustainable. Mr George cannot be under any illusion that last year's two half-point rate rises have yet had any effect or are sufficient to slow the economy to a sustainable rate. Since further rises are necessary, there is much to be said for getting them away early.

The bigger question for financial markets is how far rather than how fast interest rates will rise. Despite yesterday's rally in short sterling futures, the implied expectation that short-term interest rates will be over 8¼ per cent by the year-end looks exaggerated. Once Mr George has a few more rises under his belt, he will presumably wait to see whether monetary tightening is having the desired effect before taking further action.

FT-SE Index: 3049.4 (-11.0)



Source: FT Graphite

Gardner Merchant

Europe's largest contract catering group, Gardner Merchant, is set to opt for the certainty of French cash rather than the changeable currents of the new issues market. While a successful flotation could have put a higher value on the business, a £550m sale to Sodexho makes sense. There has been such frustration at the high volume and mixed quality of recent new issues that investors are looking at all offerings suspiciously. Meanwhile the cash flows of corporate Europe are improving, as the continent pulls out of the recession, so making acquisitions easier to finance.

In Gardner's case, there are definite attractions to a trade sale. Contract catering offers economies of scale, primarily through bulk food purchasing. And recent industry buy-outs – Gardner from Forte, Compass from Grand Metropolitan, and Sutcliffe from P&O – have demonstrated that contract catering companies can weather corporate change without loss of business. This should help generate the high returns on investment expected by business purchasers.

Given the advantages to Sodexho of becoming the world's largest contract caterer, and the complementary nature of the businesses, it does not appear to be paying top dollar. And it remains possible that Granada, a previous suitor, could take a final look at Gardner. Whatever the outcome, improving cash flows in European industry mean that private deals should start to take the steam out of the new issues market.

United Biscuits

United Biscuits' shares have underperformed by a modest 7 per cent in the past year – better than they deserve on the basis of lacklustre financial results. Pre-tax profits for 1994 will be below those for 1993, after adjusting for a higher pension charge, and earnings growth for the current year will be pedestrian at best. Interest payments are set to rise sharply – gearing could be as high as 90 per cent when the 1994 balance sheet is published. The benefits of restructuring – at KP as announced yesterday or at Keebler in the US – will not be felt until next year at the earliest.

The McVitie's biscuits business is also a problem – something of a paradox, as McVitie's is a highly profitable market leader in the UK and the biggest contributor to group earnings. But, as United Biscuits admits, it was for many years starved of the investment required to nourish the brand over the long term. Its profitability attracted competitors and UB is now having to fight hard to preserve market share. This requires heavy expenditure on marketing, promotion and development of new products. Coupled with pricing pressures and increases in raw material costs, margins in the biscuits are on the way down. They will not implode, but they are heading towards 10 per cent after peaking at 15 per cent in the early 1990s.

At 319p the shares are on a market rating, a demanding valuation given the profits record. But they are underpinned by a 6 per cent yield and perennial speculation that UB will fall victim to a bid.

European banks

The outbreak of acquisition activity in the Italian and Portuguese banking sectors may be motivated by similar causes, but the validity of the logic behind the current bids varies hugely. Both countries have unusually fragmented banking industries suffering from falling margins; declining deposits, poor loan book growth and bad debts are common themes. Consolidation is a rational response.

The $1.9bn bid for Banco Português do Atlântico, Portugal's second biggest bank, by Banco Comercial Português and Império, Portugal's biggest insurance company, makes eminent sense. BCP, founded eight years ago but already the country's fifth largest bank, is efficient; BPA is a sleepy semi-privatised business rapidly losing market share. The bid, if successful, would permit significant rationalisation savings.

While the Portuguese deal involves a highly efficient bank bidding for a lumbering rival, the Italian offer presents the curious case of an untalented bank, Credito Italiano, bidding for Credito Romagnolo, a relatively accomplished competitor. Credit's announcement yesterday that it was prepared to top the existing offer from the Cariplo consortium may not necessarily lead to a formal bid.

Cariplo has offered not to merge the two banks into a single group before the year 2000. If Credit offers to extend the period for more than that, the usual merger benefits would be lost. The Italian banking system needs rationalisation. That would not be the way to achieve it.

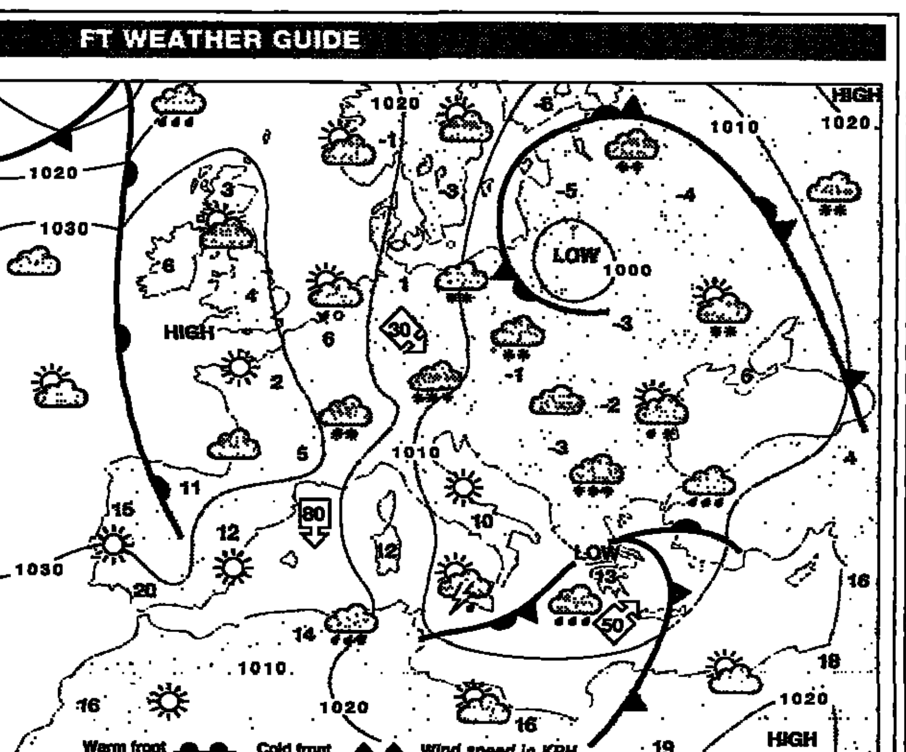
FT WEATHER GUIDE

Europe today

A ridge of high pressure over the British Isles and low pressure over eastern Poland will draw cold and unstable air deep into Europe, even as far as southern Italy. This will mean showers, many with hail or sleet, in the Low Countries and Germany. Meanwhile, a mixture of sun and cloud is expected in the British Isles. More snow is likely in the Alps. Cold air will surge into the Mediterranean along the French Riviera where north-westerly gales will continue. Spain will be settled but the eastern Mediterranean will have rain and showers. Eastern Europe will be mostly cloudy with snow showers.

Five-day forecast

The British Isles and Scandinavia will be mostly cloudy with periods of rain and occasional high winds. Snow will linger in the Alps and sunny periods are expected in Germany and France under the influence of a high pressure system over central Europe. Eastern Europe is expected to be rather cold with a mixture of sun and cloud, but it will stay dry. Southern Italy, Greece and Turkey will have showers. Spain and Portugal will be mostly sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

City	Maximum	Celsius
Abu Dhabi	fair	26
Accra	fair	32
Algiers	cloudy	15
Amsterdam	hail	5
Athens	shower	16
Atlanta	fair	18
B. Aires	fair	26
B.ham	sun	4
Bangkok	fair	34
Barcelona	fair	13
Beijing	sun	-1
Belfast	cloudy	4
Belgrade	cloudy	-2
Berlin	cloudy	0
Bermuda	fair	20
Bogota	cloudy	20
Bombay	sun	28
Brussels	cloudy	5
Budapest	cloudy	0
C.hagen	fair	1
Cairo	fair	18
Cape Town	fair	26
Caracas	fair	29
Cardiff	fair	3
Casablanca	fair	16
Chicago	rain	9
Cologne	sleet	3
Dakar	sun	25
Dallas	shower	21
Delhi	sun	19
Dubai	fair	26
Dublin	cloudy	6
Dubrovnik	cloudy	8
Edinburgh	fair	2
Faro	fair	16
Frankfurt	snow	0
Geneva	snow	0
Gibraltar	fair	17
Glasgow	fair	3
Hamburg	fair	2
Helsinki	cloudy	-5
Hong Kong	cloudy	16
Honolulu	fair	27
Istanbul	rain	11
Jakarta	shower	30
Jersey	fair	7
Karachi	sun	26
Kuwait	sun	25
L. Angeles	shower	17
Las Palmas	fair	20
Lima	cloudy	28
Lisbon	sun	15
London	sun	4
Lux.bourg	cloudy	2
Lyon	sleet	3
Madeira	fair	18
Madrid	fair	13
Majorca	fair	14
Malta	shower	14
Manchester	sun	3
Manila	cloudy	30
Melbourne	fair	29
Mexico City	fair	20
Miami	fair	25
Milan	fair	9
Montreal	snow	-4
Moscow	snow	-4
Munich	snow	-2
Nairobi	thund	27
Naples	cloudy	10
Nassau	fair	25
New York	cloudy	9
Nice	fair	12
Nicosia	shower	16
Oslo	fair	0
Paris	cloudy	5
Perth	fair	29
Prague	snow	-1
Rangoon	sun	33
Reykjavik	rain	3
Rio	cloudy	34
Rome	fair	9
S. Frsco	rain	14
Seoul	cloudy	-1
Singapore	shower	31
Stockholm	snow	-3
Strasbourg	sleet	2
Sydney	fair	25
Tangier	fair	17
Tel Aviv	fair	17
Tokyo	cloudy	9
Toronto	rain	5
Vancouver	rain	8
Venice	rain	6
Vienna	cloudy	1
Warsaw	snow	-2
Washington	fair	11
Wellington	cloudy	18
Winnipeg	snow	-8
Zurich	snow	0

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1995
Thursday January 12 1995

IN BRIEF

Riva takes pole position for ILP

Riva, one of Italy's biggest private steel manufacturers, has emerged as the front-runner to acquire Ilva Laminati Piani (ILP), the Italian state-owned producer of flat steel products. Page 14

Daf Trucks chief expects Fl 120m for year
Daf Trucks, rescued by the Dutch and Belgian governments from financial collapse in 1993, made a net profit of more than Fl 120m ($70m) last year, according to Mr Cor Baan, chairman. Page 14

Honda sets out production aims
Honda plans to produce 1m cars in Japan this year and increase sales in its home market by more than 30 per cent to 800,000 units in four years, said Mr Nobuhiko Kawamoto, president. Page 15

Surge in Sanyo pre-tax profits
Sanyo Electric, the Japanese consumer electronics group, said a hot summer and an income-tax cut helped sales of electronic products last year and predicted a 6 per cent rise for the whole industry. Page 16

JAL on course to break even
Japan Airlines (JAL), the country's leading carrier, intends to proceed with the second stage of a two-year "survival plan" of cost-cutting and route expansion, aimed at arresting its sharp slide into deficit in recent years. Page 16

News Corp's limited voting shares cleared
The Australian Stock Exchange gave a much-needed boost to Mr Rupert Murdoch's News Corporation, when it announced that the company's new preferred "limited voting" ordinary (PLVO) shares would be allowed to remain in the Australian All Ordinaries Index. Page 16

BPA shares return with 18% jump
Shares in Banco Português do Atlântico, Portugal's second-largest bank, rose 18 per cent as trading resumed after their suspension on Monday following the announcement of a Es300.3bn ($1.89bn) takeover bid. Page 14

Dixons helped by buoyant sales
Dixons Group, the UK's largest electrical retailer, signalled a steady upturn in consumer spending by reporting a 5 per cent increase in pre-Christmas sales and a solid improvement in gross margins. Page 23

British Steel reveals investment plan
British Steel is spending £87m ($135.7m) on two projects in the US and south Wales, in moves which will include the first significant recruitment in its UK workforce for several years. Page 24

Out of court, out of the question
Mr Richard Branson, chairman of Virgin Atlantic, rebuffed suggestions that he might be prepared to reach an out-of-court settlement with British Airways over the "dirty tricks affair". Page 25

Shell Petrol to sell two companies
Shell Petroleum is putting two of its exploration and production companies in Colombia up for sale. The properties were worth $500m when bought from Tenneco six years ago. Page 25

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Allianz	824	+	5	Euro RSCG	544	+	8
PWA	240.8	+	4	Imetal	503	+	13
Schering	1024	+	17.5	**Falls**			
Falls				Accor	547	–	12
Beiersdorf	985	–	11	CCF	202	–	4.1
Lahmeyer	550	–	20	EBF	886	–	13
Porsche	651	–	14	Peugeot	728	–	17
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
ASA	45	+	1¼	Aoyama Trad	2340	+	100
Grupo Tel	22¾	+	½	Gen Sekiyu	960	+	19
Lands End	14⅞	+	1⅝	Jap Airlins	681	+	24
Falls				Nip Paint	755	+	28
Biogen	38¼	–	4	**Falls**			
Express	8⅞	–	¾	Konica	809	–	16
Telefonos	32¾	–	⅝	Yokogawa El	891	–	29

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Sthn Business	53	+	3½
Aromascan	88	+	7	Stoddard Sekers	32½	+	3½
Bespak	286	+	8	Treatt	228	+	8
Black & Edgngtn	2¼	+	1½	Utd Friendly B	480	+	20
Carr's Milling	264	+	10	VideoLogic	58	+	2½
Chubb	282	+	9	**Falls**			
Dalepak Foods	128	+	7	Alexandra Wkwr	120	–	8
Denaltron	34	+	3	BP	414½	–	10½
Exco	186	+	6	Cray Elect	148	–	6
First Nat Fin	64	+	7	Davies (DY)	12	–	2
French Connectn	265	+	9	M & W	128	–	24
Grosvenor Inns	158	+	10	Standard Chtd	255	–	8
Haynes Publ	338	+	20				
Racal Elec	227	+	7				

Philip Coggan watches money scramble into safer havens to escape emerging markets and sliding currencies

Risk-averse investors take flight to quality

The start of 1995 has been a fragile time for many of the world's financial markets. As has happened before in times of financial crisis, investors are buying into areas seen as safe havens – a "flight to quality".

The cautious mood of investors is understandable after 1994, when it proved difficult to make money in either bonds or equities. Mexico's devaluation in December, and the consequent questioning of the emerging markets phenomenon which had enticed many investors in the early 1990s, proved the final straw.

"Instead of people asking 'Where do we want to invest? What do we feel good about?'" says Mr David Cocker, economist at Chemical Bank in London, "people are deciding where they don't want their money to be." A year ago, investors were happy with a trade-off between high risks and high rewards, but now they are looking for security.

Even the famed hedge fund investor, Mr George Soros, was moved to say yesterday that the problems in Mexico were a "very serious crash" which had implications for bond and stock markets round the world.

The Mexican crisis, which has seen dollar-based equity investors lose more than 40 per cent in less than a month, seems to have coloured investors' attitudes to other Latin American markets.

But it has also had an effect in Europe. "It started when we saw the Federal Reserve supporting the peso, which meant it was selling dollars" says Mr John Shepperd, chief economist at Yamaichi International (Europe). "The resultant appreciation of the D-Mark against the dollar has led to a flight to quality within Europe."

A strong D-Mark has in the past caused problems for currencies within the Exchange Rate Mechanism. This time, currencies on the outer fringe of Europe are taking the hit, with traders paying particular attention to countries with large fiscal deficits, or political problems.

Three currencies which have suffered are those of Italy, Sweden and Spain. In Italy, the current political vacuum is drawing attention to the country's failure to tackle its long-standing fiscal problems; in Sweden, this week's budget was perceived as postponing the most stringent measures.

Spain's government is hit by political scandal and was forced to deny on Tuesday that the peseta would have to leave the ERM. Both the peseta and the lira reached historic lows against the D-Mark on Tuesday.

Mr Shepperd says these countries have a problem akin to that faced by Britain just before sterling's devaluation in 1992. "When interest rates go up in these economies, it has no beneficial impact on the currency since it simply adds to the air of crisis."

Government bond markets in the three countries have suffered with their currencies.

According to Mr Sanjay Joshi, chief economist at Daiwa Europe, the spread between two year Italian and German government bonds has widened from 440 basis points (4.4 percentage points) to 490 basis points this week, through a combination of German strength and Italian weakness.

As well as the D-Mark, the Swiss franc appears to be one of the beneficiaries of the flight to safety. "The Swiss franc is still seen as the place to park funds when there is global uncertainty", Mr Cocker says.

While the dollar has dropped against the D-Mark both because of the peso support and because of fears that the crisis would restrain the Fed from raising interest rates, it is possible that the dollar would gain in the long term from any flight to quality.

US investors have been among the biggest enthusiasts for emerging markets, particularly in Latin America, and the recent shocks are likely to persuade them to return to the safety of home. There were already signs of this in the first half of 1994, when the $37.9bn of US investment into overseas bonds and equities was almost matched by a $36.3bn inflow.

"It has been a worldwide trend, over the past year, for fund managers to become more domestically focused" says Yamaichi's Mr Shepperd. "They may not do better in terms of total return but it is easier to justify their position to clients."

Some analysts see the current problems as the inevitable unwinding of the early 1990s phenomenon whereby low US interest rates drove investors out of the safety of deposits and into more risky assets. The watershed came in February last year when the Fed raised US interest rates.

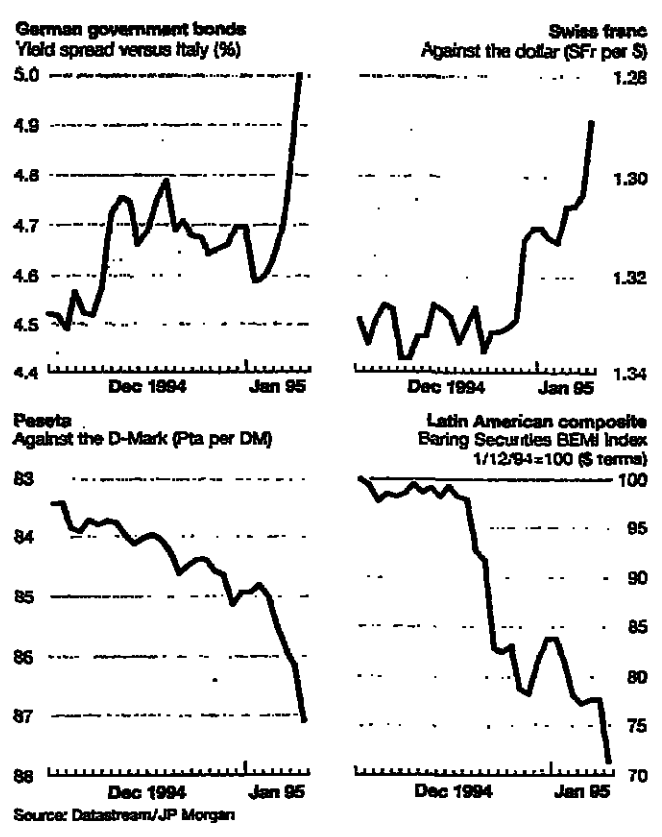
"Since February, there has effectively been a global capital shortage", says Mr Robin Aspinall, strategist at London stockbroker Panmure Gordon. "The needs of the mainstream capital markets will always be met but investment in the fringe markets is almost voluntary."

The illiquid nature of fringe markets means that the capital inflow in the early 1990s forced them to high levels; the reverse process in 1994 and 1995 is causing particularly sharp falls.

The key question is whether investors will be willing to retreat from emerging markets into US, UK and European equities, which have held up quite well early this year, or whether they will want the greater security of bonds and cash.

Mr Nick Knight, the Nomura strategist, sees the Mexican market, in the words of the children's song, as the first of the "ten green bottles to accidentally fall". But he believes investors' losses will accumulate to the point where "everything is sold for cash" and the other bottles duly fall. If more people adopt his view, the flight to safety could yet become a stampede.

Winners and losers



Source: Datastream/JP Morgan

After all the goings-on and goings-out, plans to set up a new rival agency still face two big hurdles

Saatchi's soap opera has only just begun

By Diane Summers and Robert Peston in London

Mr Maurice Saatchi and the recent leavers from Saatchi & Saatchi, who announced yesterday that they were setting up in direct competition with their old agency, still face two significant obstacles to their plans, according to sources within the advertising business.

The first is legal. All the ex-Saatchi employees, with the exception of Mr Saatchi himself, are supposedly bound by contracts which contain restrictive covenants. Even Mr Saatchi is currently attempting to negotiate a severance package with the company, the size of which is likely to depend on his agreement to restrictive covenants.

The company emphasised yesterday that it would attempt to enforce these contracts: "All those who have resigned from the company this week remain under contract to the company and the company intends to enforce in full all aspects of their contracts, in particular those relating to notice, non-competition clauses and poaching business. The company will take whatever legal action is necessary to protect its interests and those of its investors."

Legal action has already been threatened over the alleged removal of the contents of up to 15 filing cabinets from the company's London offices. They were taken to the North London art gallery owned by Mr Saatchi's brother Charles in mid-December, according to the company.

The files reappeared yesterday after the company said it had contacted lawyers. "We will be reviewing the files as a matter of urgency to ensure that the company's property has been returned in full. The files contained, amongst other matters, a considerable amount of commercially confidential client information," said the company.

Sir Tim Bell, speaking for Mr Saatchi, accused Saatchi & Saatchi of "dirty tricks" in relation to the files. "He [Mr Saatchi] quite legitimately wanted personally to sort out his personal files from corporate ones, rather than leave it to the company secretary," Sir Tim said.

The second problem faced by Mr Saatchi's new company is building an operation that extends beyond London. There have not been defections from other geographical parts of the Saatchi business and, after decades of preaching the global message, it will be difficult for him to attract any but the most locally-based clients.

Associates of Mr Saatchi say the plan is to encourage Saatchi executives in other parts of the world to form their own businesses and then forge alliances with his new agency.

Others in the advertising industry believe that, eventually, he will have to team up with one of the international networks in order to service clients such as British Airways, if they were to come on board.

Overall, the belief is that Mr Saatchi would not have made yesterday's announcement without lining up at least £50m-£60m-worth of business in advance. Said one agency head: "It's a long time since any of them worked in a small advertising agency, struggling to start. I can't believe any of them will want to be in the position of having to count paper-clips."

Another rival said: "Its an agency that will keep people in the style to which they've become accustomed. They'll make a good living. They've hired some very talented people, so any any energy or attention to detail problems Maurice may have are solved."

Mr David Herro, the Chicago fund manager who led the shareholders' revolt against Mr Saatchi, was, unsurprisingly, sceptical about plans for the new agency. "He started one up and almost bankrupted it. It'll be interesting to see what does with this one."

Mr Saatchi may be confident about gaining business from Mirror Group Newspapers and Dixons but others in the industry wondered yesterday whether the new agency would have much success with clients who have not, until now, been with Saatchi & Saatchi. "I think it's going to be quite tough. Fresh clients may wonder whether, in years to come, they may get the same treatment."

The goings-on at Saatchi & Saatchi are viewed by others within the industry with distaste because, as one agency head said: "From the industry point of view it makes the whole thing look like a soap opera."

Another said: "No one comes out of this with any credit. The depressing thing for the advertising business is that, once again, clients seem to be considered last of all."

There may, after all, be one winner, he added. Saatchi & Saatchi has been the Conservative Party's agency but "perhaps it should be Tony Blair who should be sending Maurice a case of champagne. The Labour party is facing the biggest crisis since Blair took over, and all the newspapers are talking about is Maurice Saatchi."

Credito Italiano may lift its bid for Credito Romagnolo

By Andrew Hill in Milan

The board of Credito Italiano yesterday gave the Italian bank's chairman and deputy chairman a mandate to increase the bank's offer for Credito Romagnolo, the Bolognese bank. Rolo already faces a L20,000-a-share offer from Credit, and a L21,500-a-share counterbid from a consortium led by Cariplo, the Milan savings bank, which opened officially yesterday.

In a letter to its shareholders, Rolo describes the consortium bid as "unequivocally more advantageous for shareholders, and more attentive to the interests" of the group than the Credit bid.

The statement issued after yesterday's Credit board meeting did not confirm that a new bid would be launched, but it is bound to reignite speculation that the fight for control of Rolo will be taken into a third round. Directors decided "to grant to the chairman and deputy chairman ... the widest power to proceed with an increased offer, seeking the necessary authorisation". At the same time, Carimonte, a savings bank, indicated that it was interested in taking part. It has been widely assumed that it would be prepared to invest up to L400bn in a relaunched bid for Rolo led by Credit.

The Credit announcement is likely to unsettle investors, who have pushed up its share price since Christmas on the assumption that it would pull out of the bidding.

The Cariplo consortium is bidding for 70 per cent of Rolo, one of Italy's most efficient regional banks, and will have to pay nearly L3,300bn ($2bn) if successful. Analysts consider that price is already beyond Credit's range. In addition, both Cariplo and Credit have had to make strong guarantees of Rolo's local identity, autonomy and future dividend policy which reduce the benefits of a takeover. Cariplo, for example, has said that Rolo could not be merged into the larger group before 2000.

Italian takeover rules are vague on the requirements for bidders once a takeover battle enters the third round. Credit is expected to seek guidance from Consob, the stock exchange watchdog, on whether Cariplo would be allowed to relaunch its counterbid and whether it would be obliged to outbid Cariplo by at least 5 per cent.

Lex, Page 12

Bull sale attracts five bidders

By John Ridding in Paris

Five companies have submitted bids to take a stake of at least 10 per cent in Groupe Bull, the loss-making French computer manufacturer, Mr José Rossi, the French industry minister, said yesterday.

Mr Rossi declined to comment on the candidates in the privatisation of Bull, but they are thought to include NEC of Japan, a joint bid by Quadral of France and AT&T of the US, and possibly Motorola of the US.

Bull said the number of candidates was encouraging. "Contrary to some comments, it shows that Bull is considered an attractive partner."

The sale of the computer group is one of the most complex privatisations by the centre-right government of Mr Edouard Balladur, prime minister. Although losses have been reduced through a rescue plan implemented by Mr Jean-Marie Descarpentries, chairman, the company has accumulated a deficit of more than FFr20bn ($3.8bn) during the past five years. This prompted the decision to privatise with a sale of shares to industry partners rather than through a public issue.

The French government holds 76 per cent of Bull's shares and wants to reduce its stake to a minority before the presidential elections due this spring. Under the terms of the privatisation, the French government is seeking applicants for partners willing to take stakes in excess of 10 per cent. However, offers for smaller stakes can be made in conjunction with larger bids. The various bidders may co-operate with each other in making their offers.

Having made their initial offers, the candidates are studying the financial and commercial situation of Groupe Bull. They have about six weeks to finalise their offers before making a non-binding application. The various bids will then be submitted to the privatisation commission, which advises the government on the sale of public sector assets.

AT&T is thought to want access to the French telecommunications market. It is believed to have made a joint bid with Quadral, a holding company for CSEE, the electronics group, to take up to 40 per cent of Bull's shares. Observers believe groups from South Korea and Taiwan have also made offers.

Riva leads race to take over ILP

By Andrew Hill in Milan

Riva, one of Italy's biggest private steel manufacturers, has emerged as the front-runner to acquire Ilva Laminati Piani (ILP), the Italian state-owned producer of flat steel products.

IRI, the state holding company which owns ILP, has opened negotiations with Fire Finanziaria, a subsidiary of the Riva group, setting aside a competing bid from a consortium including Lucchini, a rival private steel producer, Usinor Saçilor of France, and Bolmat, a company headed by two Italian steel traders.

However, IRI has made clear it will only sell to Riva if the private manufacturer improves its offer for the company, which includes the Taranto steelworks, one of the biggest in the world. Neither IRI nor the rival bidders have released details of their offers, tabled before Christmas and believed to be worth well over L1,000bn ($615m).

The sale of ILP would all but complete the programme of privatisation and capacity cuts imposed on the Italian state steel industry by the country's European Union partners in December 1993.

IRI has missed the EU deadline of December 31 1994 for the sale of ILP, and in theory the European Commission could threaten to outlaw state aid which EU ministers approved on condition the sale was carried out.

However, IRI believes Brussels will be lenient provided negotiations do not drag on much longer. To speed the process, IRI has set a new date of February 28 to conclude negotiations with Riva.

IRI said it was under "no obligation to accept the offer of Fire Finanziaria, nor to continue the negotiating phase after the deadline". If talks break down it could reopen the whole process of bidding, or try to persuade the Lucchini consortium to increase its offer.

Lucchini and its partners were not available to discuss the latest developments yesterday.

Riva declined to comment on the developments. The steelmaker is backed in its bid by Tarnofin, a consortium of local entrepreneurs from Taranto and Novi Ligure in Piedmont, where ILP has its other main plant.

Riva was part of the German-Italian consortium, headed by Krupp Hoesch, which won the bidding for the special steels interests of the Ilva group last June. The Milan-based company, which has large European steel interests, had earlier withdrawn its offer to buy Ekostahl, eastern Germany's largest steel mill, from the Treuhand privatisation agency.

Daf Trucks sees Fl 120m profit for year

By John Griffiths in London

Daf Trucks, rescued by the Dutch and Belgian governments from financial collapse in 1993, made a net profit of more than Fl 120m ($70m) last year, according to Mr Cor Baan, its chairman.

He said when definitive results were published in March the truck maker would be shown to have turned over more than Fl 2.2bn in its first full year of operations since the collapse.

Yesterday's provisional figures confirm the prediction of Mr Baan early last year that Daf Trucks would move firmly into growth and profits during 1994 after the previous year's collapse, which also saw Daf's UK subsidiary, Leyland Daf, broken up among several owners.

Daf Trucks made a net profit of Fl 10m on a turnover of Fl 1.3bn in its first 10 months of post-collapse operations in 1993.

However, Mr Baan warned against complacency. Although market conditions in 1995 would justify increased production, profit margins needed to be further improved through cost reductions and increased flexibility.

Daf expects to raise total truck output to 16,000 units this year, compared with 11,239 last year and 4,957 during the 10 months of 1993.

In addition, Daf expects to sell 8,000 trucks produced by Leyland Trucks of the UK, for which Daf is the distributor.

Daf's total sales last year were 21,154. Stocks of Eindhoven-produced trucks were halved to just over 400 units, said Mr Baan.

Two loans totalling more than Fl 130m were repaid at the end of last year and converted into a standby facility of the same size, a move expected substantially to reduce Daf's interest payments during the current year.

The company increased its workforce by nearly 800 last year, to 4,261.

FTC approves $9bn US defence merger

By George Graham in Washington

The US Federal Trade Commission said yesterday it had given the go-ahead to the $9bn merger of the Lockheed and Martin Marietta defence groups, subject to conditions intended to preserve competition in the satellite and military aircraft sectors.

The decision has still to be finalised after a 60-day period for public comment, but is regarded as essentially removing any threat of an anti-trust challenge to the largest consolidation in the defence industry.

The two companies compete principally in the satellite sector, but the merger would vertically integrate Martin Marietta's Lantirn infra-red navigation system unit with Lockheed's military aircraft business.

The FTC said that Lockheed and Martin Marietta had agreed to drop exclusivity arrangements they had on infra-red sensors with Hughes Aircraft and Northrop Grumman, in order to allow the two companies to bid on their own or in partnership with other companies for military space systems.

● **Royal Dutch/Shell Group** has agreed to sell its Shell Oil unit's polypropylene assets to Union Carbide or other approved buyers as part of a settlement with the FTC, Reuter reports from Washington.

United Biscuits forced to close UK factory

By Roderick Oram, Consumer Industries Editor

Intense price competition in crisps has forced United Biscuits to close its factory in Grimsby, north-east England, with the loss of 980 jobs. Costs of £33m ($51.5m) will cover the closure and transfer of production to two other plants.

The group said yesterday that trading in the second half of last year remained in line with expectations, with the exception of "a significant profit shortfall" in Spain. Christmas sales were late but strong.

The company, known for its McVitie's biscuits and KP crisps and snacks, also said it would have to increase its pension fund contribution by £3m to about £13m for the year ended December 1994.

Overall, pre-tax profits for last year "are now expected to be close", before exceptional items and pension adjustments, to 1993's £181.8m, said Mr John Warren, finance director.

Analysts nudged down their forecasts following the announcement, and the shares closed down 2p at 319p. The City of London's average forecast for UB's profits had been about £187m.

A surge in crisp capacity from 1993 had triggered a price war. UB's crisp capacity would fall slightly with the Grimsby closure, Mr Warren said.

Lex, Page 12

Trafalgar derivatives contracts under fire

By David Wighton and Ivor Owen in London and Chris Tighe in Newcastle

Advisers to Northern Electric, the UK regional utility, yesterday launched a new attack on the derivatives contracts struck between Swiss Bank Corporation and Trafalgar House, the UK conglomerate, as the opposition Labour party called for an inquiry into dealing in Northern's shares ahead of Trafalgar's £1.2bn ($1.87bn) bid.

Swiss Bank and Trafalgar dismissed as "scurrilous nonsense" suggestions that the contracts were against the spirit of the insider dealing regulations.

However, Northern's advisers questioned how Swiss Bank could use the defence that its actions were "facilitating" a bid. This defence allows a company which is about to make a bid to buy shares in its target and so profit from any subsequent rise in the share price.

Swiss Bank and Trafalgar have been advised that the contracts they agreed count as "facilitating" the bid, even though they generated a profit for Trafalgar without it buying shares in Northern.

The contracts required Swiss Bank to pay Trafalgar a sum related to the rise in Northern's share price after the bid was announced.

It is thought likely that Swiss Bank's market-makers bought shares in electricity companies to hedge the bank's position, and so profit from the contracts, even though no information about Trafalgar's plans reached them through the bank's "Chinese wall".

Northern's advisers yesterday argued that even if the "facilitating" defence was open to Trafalgar it was unclear how Swiss Bank would be covered.

Mr Brian Keelan, Swiss Bank's managing director of corporate finance, dismissed the insider dealing issue.

"It is scurrilous nonsense, to use a technical phrase. You might as well accuse Cunard of practicing piracy on the high seas."

Further moves in shake-up of Alcatel management

By John Ridding in Paris

Alcatel Alsthom, the French-based transport, telecoms, and engineering concern, yesterday announced a further step in its management reorganisation. The shake-up is aimed at strengthening co-ordination between the group and its subsidiaries and speeding up decision-making.

The company said the moves, involving the expansion of its executive management committee around a core group and the creation of a single management division for multimedia activities, were prompted by the demands of a rapidly-changing telecoms markets.

However, sources close to the company said the moves also reflected an attempt by Mr Pierre Suard, chairman, to respond to setbacks which have shaken the group over the past year. The reversals have ranged from corruption investigations concerning top executives to significant losses in its German subsidiary.

These losses were a big factor in a warning that profits would fall to about FFr4bn ($755m) in 1994 from FFr7bn the previous year.

"He seems to be putting together a new group of people to help tighten things up," said an electronics analyst at a French merchant bank. "Although last year's reversals included a number of unpredictable accidents, there is a feeling that the group was slow to respond and that the decentralised structure of Alcatel has some times delayed its reaction to new products and markets."

The company is appointing from within the group three new executive vice-presidents, responsible for finance, international business and business strategy and development.

The new appointments form part of a team around Mr Suard, and are aimed at strengthening the links between the group headquarters and the various subsidiaries.

The group is also establishing a restricted executive committee comprising seven senior managers which will meet at the request of Mr Suard or other members. The full 12-member executive committee will include the heads of other Alcatel Alsthom operations such as GEC-Alsthom, the engineering joint venture with GEC of the UK.

Alcatel says the reorganisation will also help it prepare for the retirement of Mr François de Laage de Meux, president and chief operating officer, and Mr André Wettstein, executive vice-president.

Béghin-Say still has eyes on US

By David Buchan in Paris

Eridania Béghin-Say (EBS), the French-based food subsidiary of Montedison of Italy, is still interested in expanding its starch operations in North America in spite of its $330m takeover bid being rebuffed by American Maize Products.

American Maize, a publicly-quoted company controlled by two families in Indiana, said it had received "an expression of interest" from EBS, which had offered $32 a share for its 10.3m shares. American Maize described this as inadequate.

However, the French company believes the real obstacle lies in a separate legal feud between the Ziegler and Steinkraus families over control of American Maize. It is keeping its offer on the table in the hope it may provide a solution to the wrangle between the two families, who between them control 70 per cent of the US group's votes.

Starch accounts for about FFr8bn ($1.5bn) of EBS's total FFr50bn a year turnover. But as the European leader in starch, with 33 per cent of the market, it is becoming harder for regulatory reasons to make European acquisitions. It does not have a foothold in the US where the soft drinks market provides strong demand for starch by-products.

EBS confirmed yesterday it was near agreement to sell the FFr500m a year condiments and seasonings division of its Ducros brand to CPC, a New Jersey-based food company.

BPA shares return with 18% jump

By Peter Wise in Lisbon

Shares in Banco Português do Atlântico, Portugal's second largest bank, rose 18 per cent yesterday as trading resumed after their suspension on Monday following the announcement of a Es300.3bn ($1.89bn) takeover bid.

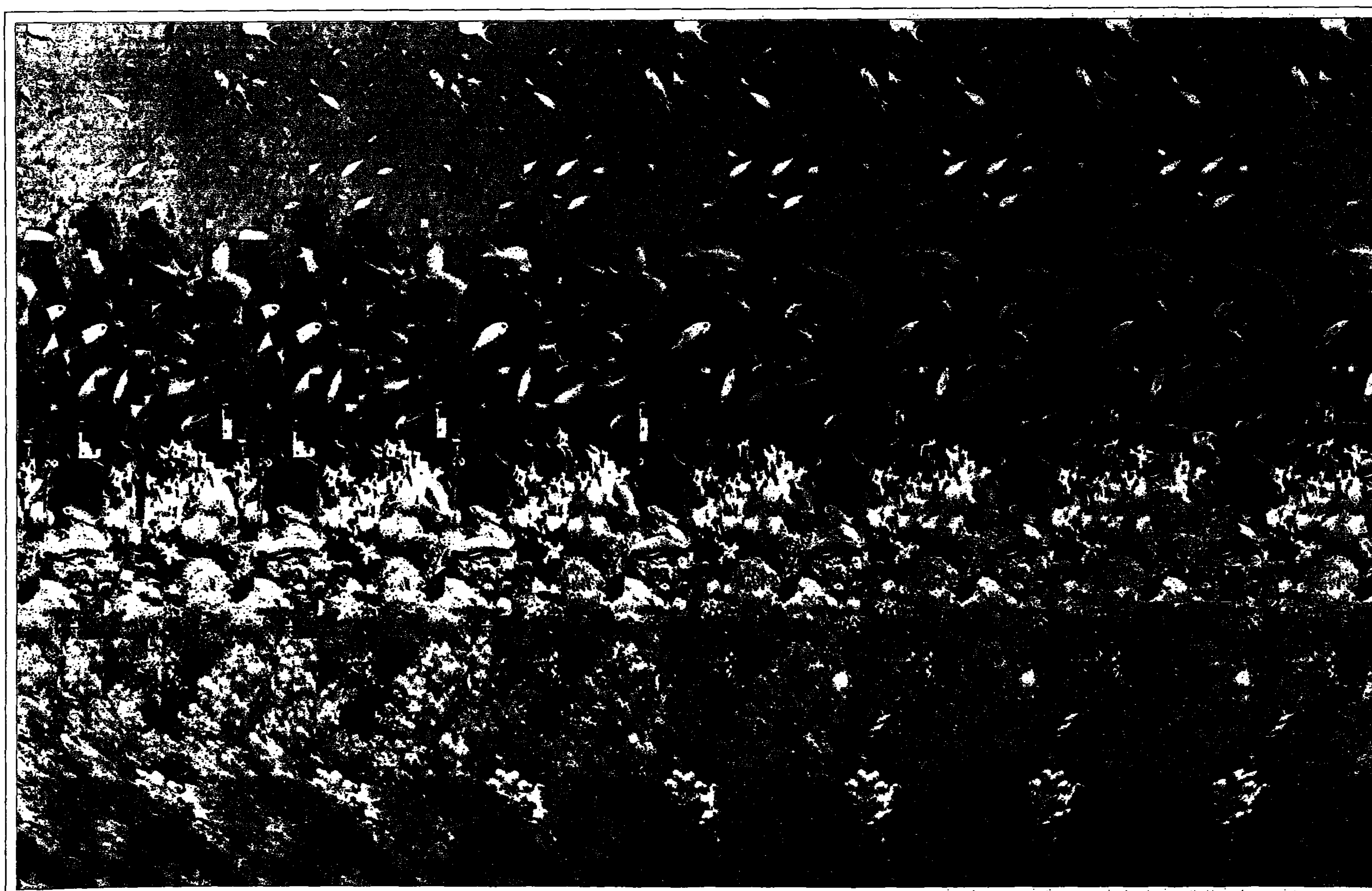
The shares reached Es2,650 before closing at Es2,610, less than 5 per cent below the Es2,730 offered by Banco Comercial Português and Império, Portugal's biggest insurance company. The shares were suspended at Es2,210.

Several Lisbon bankers said the government was likely to approve the bid. By bidding for 100 per cent of BPA, BCP has overcome the government objection that minority shareholders would be discriminated against by the earlier offer for only 40 per cent.

Renewed objections to the size of the group created by BCP's proposed takeover would also lack credibility because of the government's expected approval of the purchase of 50 per cent of Banco Totta e Açores, the third largest bank, by Mr António Champalimaud, a Portuguese industrialist who owns extensive banking assets.

Shares in União de Bancos Portugueses, a small retail bank 60 per cent owned by BPA were suspended yesterday. This followed reports that BCP may bid for 100 per cent of UBP if its BPA offer was successful.

Lex, Page 12



INTERNATIONAL COMPANIES AND FINANCE

Honda details production aims

By Michiyo Nakamoto in Tokyo

Honda plans to produce 1m cars in Japan this year and increase sales in its home market by more than 30 per cent to 800,000 units in four years, Mr Nobuhiko Kawamoto, president, said yesterday.

The company plans to increase production in Japan by 6 per cent this year, in spite of over-capacity in the Japanese car industry.

Last year, Honda's domestic production fell 13 per cent, while overseas production rose 17 per cent.

Honda aims to "improve efficiency as well as the speed of both technology and production development" with a three-year plan starting in April 1996, Mr Kawamoto said. It believes it can launch more models and increase sales in the domestic market substantially. Last year, Honda's domestic market sales suffered a 5.2 per cent fall, but the company aims to increase sales in Japan by 9 per cent this year to 600,000 units.

Exports will continue to fall, a trend seen throughout the Japanese car industry as manufacturers have shifted production overseas to deal with the sharp appreciation of the yen and to be closer to the markets they serve.

Honda expects exports to drop 3 per cent next year, after a 10 per cent decline last year. In contrast, imports into Japan, mainly from the US, are expected to continue growing. Honda's US-made models have been some of the strongest selling foreign-made cars in Japan.

Last year, the company's exports from the US exceeded 100,000 units and the company is developing a new model there that will be manufactured exclusively in the US. Honda also plans to begin production of Accords at its plant in Mexico by end of this year.

In Europe, production of Accords and Civics in the UK is expected to reach 100,000 units this year.

Laidlaw plans expansion

By Bernard Simon in Toronto

Canada's Laidlaw plans to expand its passenger transport business by more than a quarter with a deal for exclusive negotiating rights to buy the US Mayflower Group's school bus and public transit businesses.

The proposed addition of the Mayflower units underlines Laidlaw's increasingly aggressive growth in hazardous and solid waste, and passenger transport services.

Laidlaw also announced almost unchanged first-quarter earnings, but a 17 per cent rise in operating income.

Net earnings were US$38.2m, or 14 cents a share, for the three months to November 30, compared to $38m, also 14 cents, a year earlier.

Last year's results include a 2 cents per share contribution from Laidlaw's 24 per cent stake in ADT, the international security services and vehicle auction group. Laidlaw no longer accounts for ADT since earmarking its stake for the repayment of a series of convertible debentures.

First-quarter revenues climbed to $569.7m from $546.2m.

Margins in solid waste operations, which have been a problem for Laidlaw in recent years, improved to 12.8 per cent from 10.3 per cent, reflecting improved prices and volumes, especially of recyclable materials. Hazardous waste margins widened from 8.7 per cent to 10.4 per cent.

Laidlaw is already North America's biggest school bus operator, and the acquisition of the Mayflower businesses would add $250m in annual revenues.

Canfor sweetens bid for Slocan

By Bernard Simon

Canfor, the Vancouver-based forestry group, has improved and extended its C$700m (US$495m) hostile takeover bid for Slocan Forest Products.

The offer, which was due to expire last Tuesday, has now been extended to January 24. As many analysts predicted, Canfor has added a cash component to what was initially a share swap. If successful, the takeover would create one of the world's producers of biggest sawn timber.

Canfor is now offering C$18 cash for each of 4m Slocan shares, or 10 per cent of the shares outstanding. The offer for the remaining shares is unchanged at 0.935 Canfor shares for each Slocan share.

Slocan shareholders who accept Canfor's offer could receive a higher proportion of cash, depending on the proportion of shares tendered. Slocan shares were trading at C$16 in Toronto before the sweetened offer. Canfor has reduced from 75 per cent to 51 per cent the proportion of Slocan shares which must be tendered to result in a binding offer.

IBM sets out to instil an esprit de corps

Fierce divisional loyalties will have to come to an end, writes Louise Kehoe

IBM's top managers might have been expecting a pat on the back from Lou Gerstner, chairman and chief executive, as the company prepares to post its first annual profit since 1990.

Instead, Mr Gerstner delivered a sharp reminder that IBM has a long way to go to regain its competitiveness, and that while most of the company's planned 35,000 sackings are over, senior executives can no longer count on job security.

The sweeping reorganisation announced this week included software, several hardware divisions and the company's worldwide sales, marketing and service organisations. Senior management changes included the unexpected early retirement of two of the 12 senior vice-presidents.

The shake-up is the latest effort by Mr Gerstner, who joined IBM in April 1993, to create a global team spirit, eliminating contention among product divisions, regional sales and marketing organisations. Only by pulling together, he insists, can IBM take advantage of its size and resources, improve efficiency and create products that meet customer demands for computers and software that work well together.

Mr Gerstner has formed an "integrated software group" that will take responsibility for many of the software products currently spread throughout IBM.

Software is one of the largest and most profitable segments of IBM's business, with revenues last year of almost $11bn and gross margins of more than 60 per cent, well above the company average of 38.5 per cent.

However, about two thirds of IBM's software business is linked to its proprietary mainframe computers, which in spite of a recent surge in demand are not seen as a long-term growth business.

In the more promising networking, database and personal computer segments, IBM faces stiff competition from companies such as Microsoft, Novell and Oracle.

"Although IBM is the world's largest software company, we have not always leveraged our vast resources to give customers what they are increasingly asking for," Mr Gerstner said. Computer users want systems that work together without incompatibilities, and software that can run on different types of computers, he explained.

The new management structure for international sales operations similarly reflects the need for improved collaboration between disparate parts of the company. Mr Gerstner has disbanded "IBM World Trade", the organisation that has been responsible for IBM's sales and marketing operations outside North America.

"World Trade" had become an anachronism; an artificial barrier to co-operation among US and foreign sales teams, IBM observers said. The old structure survived largely because IBM's foreign country managers were determined to protect their turfs and IBM North America wanted to preserve its special status.

In an attempt to eliminate these fiefdoms, Mr Gerstner has appointed Ned Lautenbach, formerly head of IBM World Trade, to the new position as head of worldwide sales and distribution.

"Customers increasingly tell us they want worldwide solutions and delivery capabilities. We also know seamless teamwork across the globe can be one of our greatest strengths," he said.

The new management structure follows last year's realignment of the worldwide sales force into 14 teams, each addressing a different industry segment.

Mainframe, mid-range and workstation products will be part of a large "server" group, a term emphasising the role of these computers in "client-server" distributed networks.

Persuading "IBMers" to pull together is proving one of Mr Gerstner's biggest challenges. It is made more difficult by the fierce divisional loyalties encouraged by his predecessor, John Akers, who had laid plans for the break-up of IBM.

A little success may, however, go a long way toward creating the esprit de corp that Mr Gerstner is trying to achieve. The company's fourth-quarter financial report, due this month, is expected to show a marked improvement. Wall Street analysts are projecting earnings of about $1.74 a share for the quarter, up from 62 cents a share in the fourth quarter of 1993.

NEWS DIGEST

Hochtief given more time to challenge ruling

Hochtief, one of Germany's largest construction companies, has been given extra time to challenge a federal cartel office recommendation blocking the group from increasing its stake in Philipp Holzmann, its main German competitor, writes Judy Dempsey in Bonn.

Hochtief's move has led to speculation that the group is determined to find legal ways around the cartel office's recommendation.

The office agreed to shift the date for Hochtief's response from January 10 to January 18 after Hochtief said it needed more time. The Berlin-based anti-trust authorities will make its final decision on January 27.

Hochtief, a subsidiary of RWE, the country's largest electricity utility group, appears determined to try to increase its stake in Holzmann to 30 per cent from 20 per cent. It had tried to achieve this last month by acquiring the 10 per cent stake held in Holzmann by BfG, a subsidiary of Crédit Lyonnais.

However, the cartel office recommended against the move, saying it would hinder competition for contracts worth DM50m ($32.6m) or more.

Head of AT&T mobile unit leaves

The head of biggest US mobile phone company, AT&T Wireless Services, is leaving to run Netscape Communications, a Silicon Valley start-up company providing software for the Internet, write Tony Jackson and Louise Kehoe.

Since 1991, Mr Barksdale has been president and chief operating officer of McCaw Cellular, the leading US mobile phone company which was acquired last year by AT&T. Netscape, where he will be president and chief executive officer, was set up early last year by the founder of Silicon Graphics, Mr James Clark, and Mr Marc Andreessen, a 23-year old computer programmer. It provides software which enables electronic commerce over the Internet.

Alcoa back in black in fourth term

Alcoa, the largest producer of aluminium, posted fourth-quarter earnings of $368m, or $4.13 a share, including a one-time after-tax gain of $300.2m, on sales of $2.64bn, writes Laurie Morse in Chicago.

That compares with last year's fourth-quarter loss of $86.9m, or $1, on sales of $2.31bn.

Excluding one-time items, Alcoa earned $67.8m, or 76 cents, in the most recent fourth quarter. The $300.2m gain was the result of Alcoa's agreement to combine worldwide bauxite and alumina chemical businesses with Australia's Western Mining.

For the full year, Alcoa earned $375.2m, or $4.20 a share. Excluding gains from the Western Mining transaction, the company earned $192.9m, or $2.17, against 1993 earnings of $4.3m, or 3 cents. Sales for the 12-month period rose to $9.9bn, from last year's $9.1bn.

Borland International founder steps aside

Borland International, the troubled personal computer software company, said Mr Philippe Kahn has resigned as president and chief executive, writes Louise Kehoe in San Francisco. Mr Kahn, who founded Borland in 1983, will remain chairman.

"It has become clear that my continuing as president and chief executive has become a distraction at a time when Borland needs to be fully focused on the challenges ahead of it," said Mr Kahn.

A controversial figure in the software industry, Mr Kahn is an outspoken critic of Mr Bill Gates, Microsoft chairman. He built Borland into one of the largest PC software companies in the US, but recently the company has suffered setbacks as a result of new product delays and price competition.

Borland announced that Mr Gary Wetsel, formerly chief operating officer, would take over as president and chief executive.

Norwegian insurer's shares resume trading

Trading in shares of Vital Forsikring, the Norwegian life insurance and pension group, resumed yesterday at sharply lower levels on the Oslo bourse following a six-day suspension requested by the company, writes Karen Fossli in Oslo.

The suspension followed a steep rise in the price, prompted by speculation that the group was in talks with a foreign insurer over a merger or co-operation deal.

Mr Axsel Mjos, a senior Vital executive, said yesterday the company had been in contact with a "few selected" foreign insurance groups, but no offer was made and as a result, the company would take no further initiatives to pursue a change in its ownership structure.

American Tobacco to shed 1,680 jobs

The $1bn takeover of American Tobacco, the US cigarette manufacturer, by BAT Industries of the UK produced its first casualties with the announcement yesterday that 1,680 American Tobacco jobs were to go, writes Richard Tomkins in New York.

BAT, which completed its takeover of American Tobacco last month, is merging the company with its other US cigarette-making subsidiary, Brown & Williamson Tobacco.

Brown & Williamson said it was shedding 1,230 American Tobacco sales staff, although 150 of them would be offered part-time employment with the merged company.

Mr T. E. Sandfur, Brown & Williamson chairman and chief executive, said the actions were essential "in our drive to be a strong, competitive company".

News Corp's limited voting shares cleared

By Nikki Tait in Sydney

The Australian Stock Exchange yesterday gave a much-needed boost to Mr Rupert Murdoch's News Corporation, when it announced that the company's new preferred "limited voting" ordinary (PLVO) shares would be allowed to remain in the Australian All Ordinaries Index.

The ASX had admitted the shares on a trial basis because it wanted to see how the stock traded in relation to the company's normal ordinary shares before making a permanent decision.

The PLVO shares were issued by News last year, by way of a one-for-two scrip issue. The move was controversial because of Mr Murdoch's apparent desire to raise new equity capital without further diluting his family's control of the company.

If investors could be persuaded that the PLVO shares were roughly equivalent to the existing ordinary shares, News could issue more PLVO stock without undermining the Murdoch voting position – except in a very limited range of circumstances.

The ASX said yesterday that "over the past two months, the PLVO shares have exhibited sufficient turnover and there has been a consistent relationship between the ordinary shares of News Corporation and the PLVO shares to satisfy [us] that the PLVO shares ... exhibit the character of ordinary equity".

It added that inclusion of the limited voting shares in the index on a permanent basis was contingent on changes to News Corp articles being passed at an extraordinary meeting of shareholders on January 31.

The ASX's caution reflected fears that the new shares would either trade at a wide discount to the existing stock, or trade relatively infrequently. Had the PLVO shares been barred from the index, institutions investing on the basis of index weightings could have become sellers of the PLVO stock.

Yesterday's decision by the ASX followed another day of weak trading for News Corp, one of the Australian market's biggest companies. Its voting shares fell to a two-year intraday low of A$4.60 at one stage, and closed 10 cents down at A$4.68. The limited voting stock was 12 cents lower at A$4.04.

Japan leaves the door ajar for foreign investors

The country is cautiously opening up its pension funds and managed trusts, writes William Dawkins

When Japan opens the door to foreign competition, it tends to do so cautiously, mindful of the unchanging rule that harm to domestic interests must be minimised.

That much is true of its decision, announced just before yesterday's Washington summit between President Bill Clinton and Prime Minister Tomiichi Murayama, to allow foreigners to manage more of its $1,000bn pool of pension fund money and $500bn of investment trusts. Foreigners handle a mere 0.2 per cent of that, estimates the American Chamber of Commerce in Japan.

Outsiders will be invited to the bonanza on strict terms designed to diminish the loss of business to Japanese trust banks and life insurance companies, which draw lucrative fees for managing almost all Japan's pensions.

UK and US fund managers scrutinising the fine print of the deal, the centrepiece of a financial services reform package, welcomed it as a modest step forward.

"The past two years have seen the beginning of a really competitive market in asset management. It will take time to develop," said Mr Lawrence Repeta, president of the Japan branch of Frank Russell, US pension consultants. "These are steps in the right direction," said Mr Clifford Shaw, president of Warburg Asset Management in Tokyo.

The moves are the result of a significant concession by the conservative finance ministry, keen to protect hard-pressed trust banks against foreign competition in this highly-profitable part of their business.

Public and private sector pension funds' demands for increased access to foreign investment skills has tipped the balance against the trust banks' need for shelter.

Japan's pension funds, as one of the nation's largest group of investors, represent a powerful lobby. They are anxious to use more foreign investment advice in the hope of improving their poor returns.

To add to the pressure for better pension performance, the number of pensioners is rising and contributors falling.

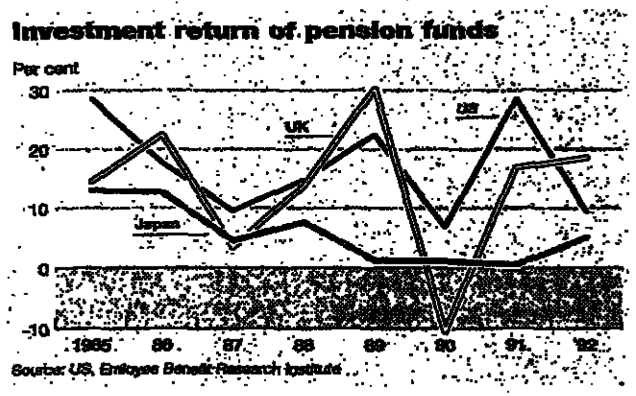
In theory, the deal enlarges the pension funds available to foreign managers from $60bn to $500bn, estimates the ACCJ.

However, foreign fund managers will probably get much less than that, as details of the accord show. Even today, they manage less than half of the Japanese funds legally available to them. This reflects foreigners' mixed record in nurturing the cosy client relationships that are the key to success in most Japanese markets.

The practical impact, taking effect from next year, is as follows:

● **Public pension funds.**
Until now, public pension funds – around $200bn, or one-fifth of the total – could only be managed by trust banks or life insurance companies. Foreign trust banks have 1.7 per cent of this business, held in custody by the the Pension Welfare Service Public Corporation – known as Nenpuku – a leading advocate of pension liberalisation. The Nenpuku also handles, by law, two-thirds of private pensions. It lends much of its cash to the finance ministry for public works projects.

Investment return of pension funds



Source: US, Employee Benefit Research Institute

The deal opens the Nenpuku's door to a new kind of fund management body: a limited partnership, called an investment union, which can be set up by a foreign manager.

The partnership must then be sold to a trust bank on the Nenpuku's behalf, leaving the foreign managers in place to manage cash channelled through the trust bank.

Limited partnerships do not exist under Japanese law, so the new investment unions will have to be based offshore.

"It is somewhat cumbersome," says Warburg's Mr Shaw. This also falls well short of US and European Union demands for unlimited access to the Nenpuku's billons.

The rationale behind the Byzantine structure appears to be to soften the loss to ailing trust banks, which will continue to draw a fee for being middle men between the Nenpuku and foreign fund managers.

This matters because trust banks, more weakened by bad debts than most, are candidates to be taken over by their stronger commercial brethren, as happened late last year when Mitsubishi Bank rescued Nippon Trust Bank.

Mitsubishi then made clear that it bought Nippon only to obtain access to its trust bank businesses, like pension fund management, denied to commercial banks under Japan's tortuous financial market rules. The same would apply to future trust bank rescues.

● **Private pension funds.**
Under present rules, private schemes, worth a combined $350bn, need an eight-year record before they are allowed to allocate a limited proportion of their cash, one-third, to independent managers. The deal reduces that to three years, as against foreign demands for the time limit to be scrapped altogether.

The one-third rule, another important target of foreign negotiators, is to be reviewed later.

● **Performance.**
Under current Japanese accounting standards, fund managers measure their performance as the yield on the book value of investments. The accord commits them to adopting by 1997 performance measures based on the market value of their investments, as in other leading financial markets. This will make it easier for pension funds to fire underperforming managers, believes the ACCJ.

Under the present system, pension funds are reluctant to dismiss underperforming managers, because this would force them to realise undeclared losses, triggering a rise in pension contributions to compensate.

Japanese pension funds and investment trusts are carrying losses of up to 15 per cent of their entire portfolios, mostly due to falls in the value of Japanese equities, estimates the European Business Community, a European lobby group.

● **Asset allocation.**
Under Japanese law, pension funds must comprise at least 50 per cent yen fixed-interest investments, and a maximum of 30 per cent domestic equities, 30 per cent foreign securities and 20 per cent property.

That still applies to funds as a whole, but no longer to individual management companies. This enlarges the minute Japanese market for specialised asset managers. The reform is of interest to US institutions – it is a long-standing ACCJ demand – but less valuable to the British, who tend to run balanced funds.

● **One licence instead of two.**
Japanese money managers now need to obtain separate licences to advise pension funds and investment trusts. They must set up separate companies, with their own staff, computers and locations, for these clearly overlapping businesses.

In future, a single licence will suffice, satisfying in full the least onerous of foreign lobbies' demands.

Taken separately, Japan's pension fund reforms are small steps. Yet, as a whole, the feeling among foreign fund managers in Tokyo is that they are a welcome stage in the gradual opening of the world's largest financial closed shop.

Burns Philp in talks on Brazil yeast deal

By Nikki Tait

Burns Philp, the Australian group which has been building up its food and fermentation interests by acquisition, has been talking to Nabisco International, part of the RJR Nabisco food and tobacco group of the US, about buying its yeast operations in Brazil.

Burns said no agreement had yet been reached, nor any price agreed, and added there was "no certainty" there would be a deal.

The statement followed speculation in the Brazilian press that Burns might pay US$250m for Nabisco's Fleischmann Royale operations. The Australian group said it could not provide any more detail on the negotiations, but noted: "In the opinion of the company the price mentioned ... is substantially more than the present value of the operations."

Burns' deals over the past year has included the A$117m (US$90.6m) purchase of a German bakers' yeast business; taking a 49 per cent stake in India's leading yeast producer, Shaw Wallace; buying a US herbs and spices business from Rykoff-Sexton; and the acquisition of a 51 per cent stake in a Russian yeast operation.

Surge in Sanyo pre-tax profits

By Emiko Terazono in Tokyo

Sanyo Electric, the Japanese consumer electronics group, said a hot summer and an income-tax cut helped sales of electronic products last year and predicted a 6 per cent rise for the whole industry.

Mr Yasuaki Takano, company president, said Sanyo had also seen a increase in profitability, due to restructuring, and had revised upwards its earnings for the year to last November, to be officially announced later this month.

Unconsolidated sales are expected to have risen by 4.3 per cent to Y1,060bn, and pre-tax profits to have tripled to Y18bn ($178.5m). Sanyo, which saw operating losses for the year to November 1993, returned to the black in 1994, a year earlier than expected, said Mr Takano.

Outlining the company's strategy for the next few years, he said Sanyo planned to expand production in batteries, electronic machinery parts and semiconductors.

He added that demand for cellular phones and personal computers would boost sales of electronic machinery parts. Sanyo intends to raise the sales of such products from 40 per cent to 50 per cent of the total by 1997.

It also intends to change production and sales operations overseas. While manufacturing plants in south-east Asia and China were originally set up to make products for the US and European markets, Mr Takano said the need to expand local production had risen due to an increase in purchasing power among developing countries.

"The company is going to set up production and sales operations for each market," he added.

JAL on course to break even

By Gerard Baker in Tokyo

Japan Airlines (JAL), the country's leading carrier, intends to proceed with the second stage of a two-year "survival plan" of cost-cutting and route expansion, aimed at arresting its sharp slide into deficit in recent years.

JAL said yesterday that progress so far in restructuring, begun in earnest last year, and stronger demand for air travel in the second half of 1994 had put it on course to break even at net profits level in the financial year to the end of March.

Operating performance is also expected to improve; last year JAL reported an operating loss of Y29.2bn ($289.6m), a figure it expects to reduce to less than Y19bn this year. The business plan for 1995 revealed yesterday expects to eliminate operating losses by March 1996.

The 1995 plan is based on JAL's forecast of an 8 per cent increase in domestic passenger capacity and a 9 per cent rise in international passenger capacity in the next financial year.

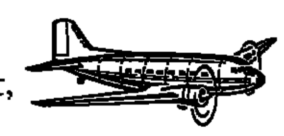
Growing demand from a strengthening domestic economy is expected to be the main engine of recovery, and JAL plans new Pacific, Asian and European routes.

But in the medium term the growth of foreign competition following the opening of Kansai International Airport last September and a fall in air fares as a result of continuing deregulation will intensify competition in the Japanese market.

The company intends to press ahead with plans, announced last year, to cut staff by 5,000 by 1998 and to halve capital investment in the same period. Recruitment is curtailed for the next year.

A year of solutions

Over the past twelve months, more than 11,000 companies, institutions and governments around the world have turned to us for a full range of financial and investment banking services — solutions — vital to the success of their efforts in many fields. What follows is just a sampling:

FINANCING Equities: US$10.1 billion Debt: US$17.3 billion* Loans: US$45.7 billion** **Chrysler** maintained its momentum  by raising capital at substantially lower costs. **Northwest Airlines** rebounded to new heights, aided by US$950 million in new credit,  debt and equity — and by finding a new way to control volatile fuel prices.  **Dr Pepper / Seven-Up** cut the rate on its bank debt through a US$650 million refinancing. **Thrifty Payless** raised over US$1.15 billion via equity, public debt and bank loans. **Kmart**  arranged financing for over US$3.6 billion, including four revolving credit facilities. **Huntsman Corporation** raised bank debt and brought to market one of the year's largest high-yield debt issues. **Host Marriott** raised new equity and bank debt. **LTV** used a combination of asset securitisation and an inventory-only loan financing programme  to gain US$470 million in

working capital. French oil giant, **Total,** raised additional equity with new stock subscribed to by its French employees. **Interco, Converse** and **Florsheim**  gained secured lines of credit to finance their restructuring.  **Stone Container** improved its capital structure and increased its liquidity with additional equity, new senior notes and replacement bank facilities.  **VARIG** restructured its debt for a competitive future. **Phar-Mor Inc.** raised US$50 million for its third debtor-in-possession financing. **LOT Polish Airlines** arranged US$260 million in credits to buy a new fleet of jets. **WestPoint Stevens**  completed the first ever publicly registered offering of trade receivables-backed certificates without third party enhancement.  **Harrah's Jazz** raised a combination of bank loans and mortgage securities to build a casino in New Orleans. **Charter Medical** raised financing to acquire forty behavioral healthcare facilities.

*PRIVATISATION US$609 million**

Elf Aquitaine and **Rhône-Poulenc** helped employees invest in their privatisations by creating a safety net to protect against market downturns.  **The Republic of Peru** privatised **Cementos Lima,** selling its interest for US$82 million in a "Dutch auction."

RISK ADVISORY

Eight of the "Fortune 50" are looking at their companies in a new way. They're unbundling departments and structures in order to microfocus on risks — and opportunities — for new efficiencies moving forward.

*MERGERS & ACQUISITIONS US$7.7 billion**

Ireland's **Jefferson Smurfit** acquired the paper and paper packaging operations of France's **Saint-Gobain**  to become Europe's largest corrugated container company. **ITT Sheraton** acquired Italy's **CIGA** hotel chain at a surprisingly favourable price. **Hicks, Muse, Tate & Furst** raised capital for **Chancellor Broadcasting's** acquisition of **American Media's**  eleven radio stations. **McGraw-Hill** increased its ownership of **MacMillan Book Publishing** to 100%. **Chrysler** divested its automotive soft trim operations to focus on its core business. **CPC International** expanded in the U.S. with a winning bid for  **Western Salad Dressings. RR Donnelly**  acquired 51% of **Lord Cochraine** to become Latin America's major commercial

printer. **Kellogg**  sold one of its non-core businesses in Latin America at a favourable price. **Bain Capital** raised US$305 million to buy **Waters Corporation,** leader in liquid chromatography. **Tracor** bought **GDE Electronics** as part of its acquisition and consolidation strategy.

EMERGING MARKETS US$9.5 *billion** **Philippine Long Distance Telephone**  found strong demand for its global bonds despite an unsettled bond market. **Korea High Speed Rail Construction Authority** appointed its financial adviser to assist in the development of high-speed rail service.  **Cemex** succeeded with Mexico's largest private-sector Eurobond issue. Chile's **Chilquinta S.A.** issued American Depositary Receipts.  **China Resources** arranged a US$265 million loan in the Asian capital markets. **The Government of Barbados** and **The Republic of Malta,** through **Freeport Terminal (Malta),** successfully entered the international capital markets for the first time. **Tele 2000** tapped the international capital markets for funds to expand. **Nafinsa** funded the acquisition of a telecommunications satellite from **Hughes.** And a growing number of clients will be taking advantage  of new banking offices in **Beijing, Mexico City** and **Kuala Lumpur.**

GLOBAL EQUITIES Over a dozen companies created "firsts" with innovations in equity and equity-linked financing. **President Enterprises** issued the first Taiwanese Euro-Exchangeable bonds. Thailand's **Alphatec** issued convertible bonds in the Swiss market, as did  Taiwan's **Pacific Construction** and Germany's **G.M. Pfaff.** Taiwan's **Kolin** issued the first Euroyen convertible by a non-Japanese issuer. **EEI** issued the first Philippine Swiss franc convertible. And, for the first time, institutional investors were able to buy listed call warrants on Indian, Taiwanese and Korean stock exchange indices.

REAL ESTATE US$20.8 *billion** **Le Comptoir des Entrepreneurs** restructured US$1.5 billion in loans and assets in Europe's largest asset-backed financing. **Unibail** acquired the real estate portfolio of  **Compagnie Foncière Internationale** for US$570 million. **Bradlees** secured US$75 million in revolving credit for the development of new stores. **JDN Realty** raised US$75 million as part of its

entry into the public markets. **Kentucky Central Life** restructured, and sold some of its US$500 million real estate portfolio. **Motels of America** gained access to the high-yield market to fund new properties. **Prudential Home Mortgage**  raised US$1 billion, and **Country Wide Funding** raised US$2.5 billion, to finance new mortgage originations. **Sun Company** sold three Class-A office properties for US$172 million.

GLOBAL INSTITUTIONAL SERVICES *Custody: US$1 trillion* Trust: US$1 trillion**

Sony appointed a U.S. bank to make the most of its cash-concentration account. **Allmerica Financial** found one firm that could handle its US$16 billion custody, securities lending and wire transfer load. **BellSouth**  more than doubled the investment alternatives of its 401(k) plans by adding unique mutual funds. Leading hospital claims processor, **CIS Technologies,**  formed a strategic alliance with a leading bank to enhance cash management and data services for the healthcare industry. **MCI** found one bank  that fulfilled its asset-management, securities-lending, custody and performance-reporting requirements. To purchase merchandise internationally, **J.C. Penney**  arranged US$100 million in letters of credit at bank offices in Hong Kong, Taiwan and Seoul.

GLOBAL INVESTMENT MANAGEMENT *Under management: US$180 billion*

Dozens of state and private pension  and investment funds found new ways to participate in more dynamic markets, to shield benefits programmes from negative exposures, and to use tax-advantaged equity strategies and efficient new active and passive management techniques.

PRIVATE EQUITY

Midsize companies, seeking capital to meet future challenges, found an adviser who was also willing to be an investor.

PRIVATE ADVISORY SERVICES

Thousands of wealthy  individuals and families around the world enjoyed the benefits of extraordinary products and services designed to protect wealth.

INFORMATION TECHNOLOGY

A growing number of banks, brokerages and companies discovered the advantages of using software, as well as computer architecture, developed and perfected by a global leader in financial technology.

*Twelve-month totals.

and a resolution.

When an American Banker article placed us among those who would "lead the evolution of the industry" — and listed us as one of the "best capitalized, best disciplined, best managed institutions in the forefront" of our industry — every one of us at Bankers Trust was proud.

But recent events have caused us to take a critical look at our procedures involving leveraged derivatives transactions. And to reaffirm our commitment to the uncompromising standards we've always set for ourselves — standards our clients expect and deserve.

Where changes were needed, we've made them. The result is a set of standards that create a new level of transparency and supervision that will greatly benefit clients as the business of risk management continues to evolve.

Still, the loss of even one client is a stinging lesson. Lesson learned.

Over the past two decades we've built an extraordinary resource. A global network of over 80 offices, leading edge technology and over 14,000 people dedicated to making it all work to our clients' advantage. We are resolved to redouble that dedication.

At the end of the day, the best solution for our clients is the only solution for us.

Bankers Trust

INTERNATIONAL CAPITAL MARKETS

Europe more positive as political fears recede

By Graham Bowley and Richard Lapper in London and Lisa Bransten in New York

A more positive tone spread across European government bond markets yesterday, as fears about political instability and budget worries, which had hit the high-yielding bond markets earlier in the week, receded.

Yield spreads in Italy, Spain and Sweden closed back in after widening sharply on Tuesday, as the foreign exchange markets, which had provided a turbulent background to the bond markets, regained some composure.

However, traders said it was likely that the markets were only pausing for breath, awaiting possible central bank intervention in the high-yielding countries. Budget and political worries remained, they said.

■ Italian government bonds saw the largest movements, as the March futures contract on Liffe rose by 0.82 point to 98.30.

The spread against bunds narrowed to 491 basis points from 505 basis points at Tuesday's close.

■ The yield spread on Spanish government bonds over bunds narrowed to 449 basis points from 455 basis points at Tuesday's close.

■ *The German and French* markets were subdued, moving in a tight trading range before dropping slightly in late trading as US Treasuries fell from their highs.

Germany received a boost from better-than-expected US price data, while the spread on French bonds over bunds, which had widened to 70 basis points by Tuesday's close, fell to 66 basis points.

Dealers said that concerns ahead of this year's presidential elections were weighing on the French market, although the expected announcement next week by Mr Edouard Balladur, the prime minister, of his candidacy for the election would lift some uncertainty.

The German March futures contract on Liffe was down 0.4 point at 89.08 in late trading.

The French notional bond futures contract on Matif settled at 110.1, up 0.3 points.

GOVERNMENT BONDS

■ In Sweden, a reasonably-well covered auction of SKr8bn of five- and eight-year bonds helped push bond prices higher. The spread against bunds narrowed to 350 basis points from 359 basis points at the opening of trade.

■ UK gilts remained broadly unchanged on the day, as early gains were reversed in later trading as gilts fell in line with US Treasuries.

Gilts were encouraged by a combination of lower-than-expected industrial production figures, which showed a 1 per cent fall in November, and the publication of the minutes of the December meeting between the chancellor of the exchequer and the governor of the Bank of England.

Both suggested that there is no immediate pressure for further interest rate rises, which should benefit the short-end of the yield curve, which in turn should lead to an improvement at the long end, said Mr Bob Dobson, head of gilts at Daiwa Europe.

The Bank of England used the firmer market to cut the price of three existing tap stocks ahead of a potential auction announcement on Friday. The tap stocks put slight downward pressure on prices, dealers said.

The long gilt future was up ⅜ point at 100¾ in late trading.

■ Lower-than-expected figures on US inflation in 1994 sent US Treasury prices solidly higher in early morning trading, but the bonds later fell nearly flat in light trading.

By midday, the 30-year government bond had risen $\frac{1}{16}$ to 95$\frac{21}{32}$, yielding 7.856 per cent. At the short end of the market, the two-year note was up $\frac{1}{32}$ at 99$\frac{22}{32}$, yielding 7.603 per cent.

The consumer price index, considered the main measure of US inflation, rose by a lower-than-expected 0.2 per cent in December, putting the figure for the year at 2.7 per cent.

Excluding the volatile food and energy sectors, the CPI rose 0.1 per cent in December, causing the core CPI for the year to increase 2.6 per cent – the lowest rate since 1965.

Based on data such as a rising capacity utilisation figure, the Federal Reserve has raised interest rates six times since last February in order to prevent the appearance of inflation.

The consensus was that there would be another increase at or before the meeting of the Fed's open market committee on January 31 and February 1, and many continue to expect further tightening in spite of the CPI data.

Ms Marilyn Schaja of Donaldson, Lufkin & Jenrette believes the central bank is more likely to focus on the low unemployment rate, pressure in the manufacturing sector and rising commodity prices. "Regardless of these favourable data, we are convinced that the Fed is poised to tighten at the upcoming meeting," she said.

■ Brady bonds recovered yesterday in trading in London, winning back some ground lost this week. Widely-traded Argentine and Brazilian paper moved up by between 2¼ and 1½ cent respectively.

BZW to launch Daewoo in UK

By Nicholas Denton

Barclays de Zoete Wedd, the UK investment bank, yesterday said it was bringing Daewoo Corporation, the South Korean trading company, to the London stock market.

Daewoo Corporation, part of the Daewoo group, will issue $50m-$70m of global depository receipts, representing 3-4 per cent its equity.

The GDRs will be the first South Korean shares to be listed in London.

Daewoo's decision to list in London boosts the stock exchange's efforts to draw new emerging market issues from New York.

The GDR – like the American depositary receipt, a proxy for a company's underlying share – allows companies to avoid potential problems linked to settlement, foreign exchange and restrictions on foreign ownership.

BZW, a subsidiary of Barclays Bank, won the mandate to act as joint lead manager of the issue against competition from Union Bank of Switzerland and other international banks. It will share responsibility for the issue with Daewoo Securities, a member of the Daewoo group.

The roadshow at which Daewoo Corporation and its advisers will hold presentations for investors is provisionally scheduled to begin on February 15. The issue will be priced about a week later. The transaction is timed to coincide with the March launch of a drive to sell Daewoo group cars in the UK.

The turn in sentiment against emerging markets since the Mexican currency devaluation has, however, left the lead managers of the Daewoo Corporation deal cautious about committing themselves to a fixed timetable.

International issues by South Korean companies have tended to be popular among investors because they provide an opportunity to get around Seoul's restrictions on foreign ownership. Foreign investors are limited to a 12 per cent stake in South Korean companies but shareholdings bought through international equity offerings are exempted from the rule.

Daewoo Corporation is the third Korean company to do an international equity offering. Posco and Kepco, steel and electricity producers respectively, last year issued American depository receipts in the US.

BZW's mandate from Daewoo Corporation is the latest in a series of jobs in the Asia-Pacific region. It managed a GDR issue by Hyundai Motor of Korea and is currently leading one by First International Computers of Taiwan.

Futures and options trade up 26% in US

By Richard Lapper

Volumes of futures and options traded on US exchanges increased by 26 per cent last year, underlining the popularity of exchange–traded derivatives products.

The total volume of contracts traded reached 658.5m.

"This is indicative of the continued strength of the core products of the US exchanges and their commitment to new product development," said Mr John Damgard, president of the Futures Industry Association, a trade body.

Futures volumes rose to 426.3m from 339.1m and options increased to 100.9m in 1994 from 81.9m in 1993.

Total options on securities showed the greatest increase, rising by 30 per cent to 131.3m from 100.7m.

The sharpest gains came in the interest rate sector, reflecting increased demand as a result of high levels of volatility on international bond markets last year.

Four exchanges – the Chicago Board of Trade, the Chicago Mercantile Exchange, the Chicago Board Options Exchange and the New York Mercantile Exchange – traded more than 50m contracts in 1994.

● The total volume of contracts cleared at the London Clearing House increased by 40 per cent in 1994 to 219.1m.

Deliveries increased by some 23 per cent and options exercise rose by 40 per cent.

Issuance slows amid overhang of paper

By Martin Brice

The pace of issuance slowed yesterday and securities houses concentrated on placing the paper overhanging the market after a busy week.

INTERNATIONAL BONDS

About $7bn of dollar bonds have been issued in the past seven days and about a further $8bn in other currencies. Some syndicates estimate 70 per cent of the total $15bn has yet to find a home with investors.

The spread on many issues had widened by 2 or 3 basis points, although the $200m two-year deal brought last week by HSBC for LB Schleswig-Holstein was reported to have performed well, having tightened in from its launch of 40 basis points over the Treasury to around 30 over.

The self-led UBS offering of $250m, two-year bonds, brought at 12 over the Treasury had also performed well, having tightened in to 3 over.

Japanese houses dominated the market yesterday, with Nomura bringing a $500m global two-year issue with a coupon of 7¾ per cent at 20 basis points over the Treasury, for Federal Home Loan Mortgage Corporation.

The market also saw two yen deals which were unlisted, meaning Japanese institutional investors need not book any fall in price of the bonds in their year-end accounts, a process known as "marking to market".

The Republic of Iceland brought a Y15bn 10-year deal with a 4.9 per cent coupon via Daiwa Europe, and West LB Finance (Curaçao) issued bonds with a 5½ year maturity and 4.4 per cent coupon through Fuji.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Federal Home Loan Mtge.Corp.	500	7.75#	99.916R	Jan.1997	0.125R	+20(7¼%-96)	Nomura International
YEN							
WestLB Finance(Curacao)(a)★	20bn	4.40	100.30R	Aug.2001	0.30R	-	Fuji International Finance
Republic of Iceland★	15bn	4.90	99.75R	Jan.2005	0.325R	-	Daiwa Europe
SWISS FRANCS							
Bayerische Landesbank(b)	150	5.375	102.75	Oct.1998	1.75	-	Credit Suisse
Wuerth Finance International	100	6.00	101.875	Feb.2001	2.25	-	Credit Suisse

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. R: fixed re-offer price; fees shown at re-offer level. a) Short 1st coupon. b) Fungible with SFr350m. Plus 90 days accrued.

First placing of Russian DRs

For the first time, a Russian-based company has raised capital using depositary receipts. Morgan Grenfell last week arranged a private placement of 3.8m DRs, raising some $47.5m for Sun Brewing, a Jersey-based holding company whose assets are located in Russia, writes Conner Middelmann.

Most of the issue was sold in Europe and a smaller amount was placed in the US via Rule 144a. Application will be made to list the DRs on the Luxembourg Stock Exchange after the publication of the company's audited accounts, expected in May 1995, Morgan Grenfell said. The offering was priced at $12.50 per share.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	91.7300	+0.340	10.37	10.19	10.42
Belgium		7.750	10/04	95.1400	+0.050	8.49	8.48	8.35
Canada *		9.000	12/04	97.5500	-0.400	9.38	9.20	9.20
Denmark		7.000	12/04	86.3500	-0.020	9.15	9.09	8.73
France	BTAN	8.000	05/98	100.5000	+0.250	7.81	7.91	7.27
	OAT	7.500	04/05	94.4700	+0.120	8.31	8.40	8.14
Germany Bund		7.375	01/05	98.1900	-0.140	7.64	7.67	7.49
Italy		8.500	08/04	79.5300	+0.460	12.18†	12.03	12.01
Japan	No 119	4.800	06/99	103.2900	+0.150	3.93	3.83	3.82
	No 164	4.100	12/03	96.4630	+0.240	4.65	4.71	4.56
Netherlands		7.250	10/04	96.5000	-0.060	7.77	7.80	7.68
Spain		10.000	02/05	87.0800	-0.020	12.07	11.75	11.31
UK Gilts		6.000	08/99	90-06	+4/32	8.63	8.62	8.53
		6.750	11/04	87-06	+2/32	8.71	8.72	8.58
		9.000	10/08	102-17	+2/32	8.68	8.68	8.56
US Treasury *		7.875	11/04	100-12	+1/32	7.82	7.84	7.85
		7.500	11/24	95-27	-5/32	7.86	7.88	7.88
ECU (French Govt)		6.000	04/04	83.0800	+0.180	8.73	8.76	8.59

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	5.61	Two year	7.80
Prime rate	8½	Two month	5.62	Three year	7.76
Broker loan rate	6½	Three month	5.88	Five year	7.84
Fed.funds	5$\frac{7}{8}$	Six month	6.58	10-year	7.82
Fed.funds at intervention	5$\frac{7}{8}$	One year	7.16	30-year	7.86

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	109.90	110.10	+0.30	110.34	109.80	144,751	129,764
Jun	109.20	109.36	+0.26	109.56	109.18	858	3,136
Sep	108.64	108.80	+0.26	108.64	108.60	113	1,298

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Jun
109	1.30	1.76	1.93	0.20	0.63	0.16
110	0.65	1.20	1.44	0.54	1.02	-
111	0.20	0.72	-	-	-	-
112	0.06	0.36	-	-	2.20	-
113	-	0.17	0.43	-	-	-

Est. vol. total, Calls 17,640 Puts 27,988. Previous day's open int., Calls 173,562 Puts 150,187.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.03	88.99	-0.13	89.40	88.96	167025	195202
Jun	88.45	88.43	-0.12	88.83	88.45	263	2002

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
8850	0.69	0.98	0.87	1.16	0.20	0.50	0.84	1.26
8900	0.39	0.70	0.65	0.85	0.40	0.71	1.22	1.52
8950	0.19	0.47	0.47	0.76	0.70	0.98	1.54	1.83

Est. vol. total, Calls 23729 Puts 16422. Previous day's open int., Calls 162130 Puts 165340

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.45	97.94	+0.46	98.35	97.40	47739	48324
Jun		97.14	+0.36			0	55

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
9750	1.72	2.43	1.28	2.79
9800	1.44	2.21	1.50	3.07
9850	1.18	2.00	1.74	3.36

Est. vol. total, Calls 911 Puts 1462. Previous day's open int., Calls 17804 Puts 17465

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	82.52	82.42	-0.04	83.25	82.31	70,315	52,477

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100-18	100-23	0-02	101-10	100-12	63622	91869
Jun	100-25	100-27	-0-01	101-07	100-25	100	208

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
100	1-39	2-35	0-57	1-45
101	1-04	2-02	1-22	2-12
102	0-41	1-38	1-59	2-48

Est. vol. total, Calls 8594 Puts 3912. Previous day's open int., Calls 30707 Puts 36787

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	80.02	80.18	+0.18	80.34	80.00	2,969	5,911
Jun	-	79.92	+0.18	-	-	-	1

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	99-13	99-24	+0-11	99-30	99-09	380,243	357,596
Jun	99-01	99-11	+0-11	99-17	99-01	1,924	15,197
Sep	-	98-24	+0-10	-	-	47	1,499

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.30			108.44	108.28	3846	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Jan 11	Day's change %	Tue Jan 10	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	118.93	+0.19	118.70	1.72	0.51
2 5-15 years (22)	139.38	+0.22	139.08	2.55	0.00
3 Over 15 years (6)	154.84	+0.26	154.44	2.09	1.19
4 Irredeemables (6)	175.92	+0.66	174.76	1.67	0.00
5 All stocks (60)	136.24	+0.22	135.94	2.20	0.37
Index-linked					
6 Up to 5 years (2)	187.35	+0.04	187.28	1.41	0.00
7 Over 5 years (11)	172.75	-0.13	172.98	0.61	0.29
8 All stocks (13)	173.37	-0.11	173.57	0.68	0.26

	Low coupon yield Jan 11	Low Jan 10	Low Yr. ago	Medium coupon yield Jan 11	Medium Jan 10	Medium Yr. ago	High coupon yield Jan 11	High Jan 10	High Yr. ago
5 yrs	8.69	8.73	5.70	8.69	8.73	5.93	8.90	8.94	6.04
15 yrs	8.56	8.60	6.41	8.70	8.73	6.53	8.92	8.95	6.76
20 yrs	8.53	8.57	6.52	8.70	8.73	6.57	8.86	8.90	6.57
Irred.†	8.59	8.65	6.65						

Index-linked	Inflation 5% Jan 11	Jan 10	Yr. ago	Inflation 10% Jan 11	Jan 10	Yr ago
Up to 5 yrs	4.16	4.17	2.17	2.96	2.96	1.37
Over 5 yrs	3.92	3.91	2.97	3.73	3.72	2.80

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 11	Jan 10	Jan 9	Jan 6	Jan 5	Yr ago	High*	Low*
Govt. Secs. (UK)	90.83	90.60	90.79	90.86	90.81	108.41	107.04	89.54
Fixed Interest	109.22	109.08	109.23	109.32	109.35	132.10	233.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 10	Jan 9	Jan 6	Jan 5	Jan 4
Gilt Edged bargains	89.3	88.6	78.3	85.6	85.4
5-day average	85.0	83.1	73.2	68.0	61.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on January 11

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
United Kingdom 7⅛ 97	5500	100½	100⅝		6.91
Abbey Natl Treasury 8 03 £	1000	91⅝	91⅞		9.50
[illegible]					

UK GILTS PRICES

[illegible]

COMPANY NEWS: UK

High street outlets struggle against competition from superstores

Dixons ahead sharply to £26.6m

By Tim Burt

Dixons Group, the UK's largest electrical retailer, yesterday signalled a steady upturn in consumer spending by reporting a 5 per cent increase in pre-Christmas sales and a solid improvement in gross margins.

Mr John Clare, chief executive, said the group had recovered from last year's flat Christmas performance and was enjoying buoyant sales of personal computers, mobile telephones, audio products and white goods.

The better-than-expected start to the second half followed sharply improved first-half profits, which rose 54 per cent to £26.6m – up from £17.3m before last year's £214m exceptional charge on the sale of Silo in the US.

Improved trading at out-of-town stores, such as PC World and Currys Superstores, helped lift profits on continuing operations from £24.5m to £27.7m, with retail sales up 9 per cent to £697.6m (£642.9m).

Total turnover in the 28 weeks to November 12 fell, however, from £1.1bn to £736.2m following the group's withdrawal from US retailing and the UK property market.

Ashley Ashwood

John Clare: gross margins in retailing had been maintained

Mr Clare also said sales at Dixons stores had fallen from £236m to £229m as the town centre retailer struggled against increased competition from superstores; while turnover shrank to £122m (£155m) at Currys high street stores, which closed 110 outlets.

However, gross margins in retailing were maintained, and Mr Clare said they would not be materially affected by the call from the Office of Fair Trading for a code of practice on the sale of extended warranties. That claim was challenged by some City analysts, who warned that Dixons could see margins on warranty sales fall from 70 per cent to 30 per cent if the OFT succeeded in opening up the sector.

But Mr Clare said the group already complied with most of the OFT's recommendations and would support the introduction of a code of practice.

Instead, he urged the OFT to turn its attention to the regional electricity companies, which Dixons claimed were subsidising unviable retail offers with cash from electricity distribution.

Earnings per share more than doubled to 3.7p from a pre-exceptional 1.8p last time. The interim dividend is increased from 1.7p to 1.8p.

● **COMMENT**

There was some Christmas cheer for the electrical retailer, but it faces tough resolutions to maintain the momentum. It has to stem the problems at Dixons' high street outlets, which are being extensively repackaged, and complete the £20m closure programme at Currys. At the same time, it needs to maximise the investment in new superstores by ensuring they maintain margins. While there were signs yesterday it was on track with that strategy, analysts warned that the good work could be undone if the OFT curtailed Dixons' lucrative warranty business. Profits should reach £93m this year, but the shares – on a forward multiple of 13.4 and down 1p at 200p yesterday – may only prove cheap if the OFT threat proves illusory.

See People

Margin pressure hits Southern Business

By James Whittington

Southern Business Group, the photocopier and vending machines supplier, yesterday blamed a traumatic year in the photocopier industry for a 41 per cent fall in profits for the 12 months to September 30.

On turnover down from £57.7m to £53.5m pre-tax profits dropped from £12.2m to £7.2m reflecting harsh margin pressures and increased competitiveness following an Office of Fair Trading report on the sector.

Earnings per share fell to 5p (8.44p) but the total dividend is maintained at 3.72p with an unchanged final of 2.45p. The shares closed up 3½p at 53p, however, as the results exceeded analysts' forecasts.

Mr David McErlain, chief executive, described the year as "the worst ever seen" in the sector. He said net operating margins had been cut from more than 30 per cent in early 1993 to 15 per cent and turnover had been affected by the renegotiation of contracts to a maximum five-year term along with separate lease and service agreements.

The changes were made in response to last March's OFT report which called for a shake-up in the industry, including a shortening of long-term leasing contracts. Mr McErlain said future growth would come from a more competitive marketing strategy, including a revolving 90-day contract, and acquisitions.

Southern also announced the acquisition of Atlantic IBS, a London-based photocopier supplier with 500 customers, for £100,000 cash.

Losses follow year of plenty for offshore hedge funds

By Norma Cohen, Investments Correspondent

Offshore hedge funds had an average loss of 8.25 per cent in 1994, with the biggest losers sustaining negative returns which wiped out nearly half their market value.

According to Micropal, the retail fund measurement service, the 1994 losses follow a bumper year in 1993, in which the average hedge fund had total returns of 21.3 per cent and some had returns of more than 60 per cent. The data also show a rise in the number of offshore European hedge funds in 1994 from 116 to 151.

The figures do not include the returns of the world's largest hedge funds; which have US managers. However, they do include the performance results of the world's best-known hedge fund, the Quantum Fund, managed by Mr George Soros, which lost 15.6 per cent last year after returns of 53.3 per cent in 1993.

Another well-known hedge fund manager, Tiger International, sustained total negative returns of 8.31 per cent in its Jaguar Fund, which invests in North American instruments.

The top performers in 1994 were largely those that played heavily in the commodities futures markets. AHL Commodity, managed by Adam, Harding and Lueck, had returns of 26.1 per cent. ED&F Man, which owns AHL, also owns Mint International Management, which manages three of the five worst performing hedge funds.

According to Micropal, the Mint funds had invested roughly 70 per cent of assets in zero coupon bonds, which fall in value as interest rates rise.

Also among the top performers was Regent Pacific Hedge Fund, with returns of 20.4 per cent, and Hasenbichler Commodities, with 19.1 per cent. Hasenbichler's fund had total returns of 64.5 per cent in 1993, making it one of the top performers for that year as well.

Among the top 10 are funds that use derivatives exclusively to enhance performance as well as those that use them to control risk. Regent Pacific and Buchanan Alpha European Hedge Fund – which had returns of 14.4 per cent – are described as "actively hedged".

The bottom performer last year was the Five Arrows Derivatives Fund, managed by Rothschild Asset Management. It had total negative returns of 44.5 per cent.

HTR launches trust to attract Pep investors

By Roger Taylor

Henderson Touche Remnant is launching a UK high income split capital investment trust, in an early bid for this year's personal equity plan investment.

HTR hopes to raise about £50m from the offer, which runs from February 7 to March 8.

The trust will invest in UK equities and offers two classes of shares. The ordinary income shares will initially offer a yield of 7.5 per cent and any return on the capital after the preference shares have been redeemed. The zero dividend preference shares aim to provide 9.5 per cent growth a year over the planned eight-year life of the trust.

The issue, sponsored by de Zoete and Bevan, is targeted at private investors.

HTR is offering a low-cost Pep facility, with no initial or exit charges, which will allow investment of both this year's and next year's Pep allowance.

Correction
PolyGram/ITC

PolyGram, the music and film group, is acquiring ITC Entertainment for $156m (£100m), not $165m as stated in yesterday's FT.

MY Holdings agrees £1.5m Trondex sale

MY Holdings has agreed to sell MY Trondex, its moulded cushion packaging business, for an initial £1.5m cash plus an additional consideration based on sales.

The purchaser is a subsidiary of Tuscarora, a US producer of custom protective cushion packaging.

Trondex's net assets at the end of the year to August 27 were £1.45m. The initial consideration will be adjusted on completion if net assets are higher or lower than £470,000.

MY viewed Trondex as a non-core business, the disposal of which allowed the group to focus on prime areas.

B&E sold to Gowrie-Smith trust for £2.8m

By Tim Burt

Mr Ian Gowrie-Smith, founder and former managing director of Medeva, the acquisitive pharmaceuticals group, is poised to launch a rival investment vehicle in the drugs industry.

The move is expected to follow yesterday's £2.79m acquisition of Black & Edgington Group, the USM-traded marquee company, by Mr Gowrie-Smith's family trust and Mr Nigel Wray, chairman of Burford Holdings, the property group which owns London's Trocadero Centre.

Mr Gowrie-Smith resigned from Medeva last March, six months after it issued a profits warning and saw its shares slump amid problems at two US subsidiaries.

Although he and Mr Wray will concentrate initially on Black & Edgington's exhibitions and sporting events business, they are likely to seek a full listing and move quickly into the pharmaceuticals sector.

If the group succeeds in its application to join the main market, it is expected to make its first drugs industry transaction within six months.

"We have aggressive thoughts for the future. I wouldn't be investing this amount of money if Black & Edgington was to stay at its present size and in the same business," said Mr Gowrie-Smith.

The company's ability to make acquisitions, however, could be restricted by a three-year agreement between Medeva and Brightstone, the consultancy set up by Mr Gowrie-Smith and Mr David Lees, Medeva's former finance director.

Mr Bernard Taylor, Medeva chairman, said the agreement obliged Mr Gowrie-Smith to give his former employers an option on acquisition opportunities in the drugs sector.

Mr Gowrie-Smith claimed that restriction would be relaxed from April.

His family trust is paying HIT Investments, a subsidiary of Hillsdown Holdings, £1.21m for 121m Black & Edgington shares at 1p, while Mr Wray is acquiring 33m shares.

Together they are also buying £1.25m of cumulative preference shares from HIT.

Mr Gowrie-Smith will become executive chairman of Black & Edgington. Mr Wray and Mr Lees will be non-executive directors.

Complementary merger awaits final agreement

David Blackwell reports on Sodexho's expected £730m acquisition of Gardner Merchant

A marriage between Sodexho and Gardner Merchant will create one of the world's biggest catering companies with turnover of more than £2bn and more than 100,000 employees.

Yesterday the two companies remained locked in negotiations over the final details of a deal agreed in outline before Christmas.

Completion is now expected "more in a matter of days than weeks," according to Mr David von Simson, managing director of corporate finance in London for Swiss Bank Corporation, adviser to Sodexho.

The possibility remains that another potential buyer might emerge. But Granada, the leisure and entertainment group which last summer offered £700m, does not look like re-entering the race unless the French deal falls through.

Sodexho is paying about £730m for Gardner, comprising £550m and the assumption of £180m of debt. It will fund the deal through a FFr1.1bn (£132m) rights issue and a loan of FFr2.2bn, with the remainder coming from the group's treasury operations.

Most observers feel that Gardner is fetching a good price. The management bought the company from Forte, the hotel and leisure group, for £402m in 1992, shortly after Sodexho refused to pay £400m.

The two companies fit together well. Gardner is a market leader in the UK, with a share of about 30 per cent, and has a presence across Europe. Sodexho is a market leader in France and continental Europe, and also operates in Africa.

Both groups are keen to develop their business in east Asia and the US, where Gardner is already the fifth biggest contract caterer following the $100m acquisition last year of part of Morrison Restaurants.

The deal is "a genuine attempt to create an alliance of two companies that are very complementary in their respective spread," said Mr von Simson. There was little overlap or duplication.

Mr Garry Hawkes, the tough-minded Yorkshireman who led Gardner's MBO, and Mr Pierre Bellon, a ship's chandler in Marseilles before founding Sodexho, are said to see eye to eye on handling employees and taking a medium-term view of business prospects. However, observers predict some sparks as cross-border operational problems are tackled.

Forte, which still owns 24 per cent of Gardner Merchant, will realise about £134m if the deal goes ahead. Mr Richard Power, Forte's communications director, said the total the group would then have raised from the sale would be £477m.

Add a further £150m from Alpha, the airport services group floated a year ago, and a potential £50m from the sale of its remaining 25 per cent stake in Alpha, and Forte would have realised almost £700m for the two non-core businesses, said Mr Power.

Yet commentators had said two years ago that Forte was mad to turn down an offer of £525m for both businesses.

Meanwhile, it remains unclear how much of Gardner Merchant is held by the management, although it could be close to 20 per cent. Nor is it only the board that has a significant stake – more than 1,000 managers are shareholders and nearly 7,000 employees have share options.

Cosmopolitan contract manager's logical step

By Andrew Jack in Paris

The sum may be substantial but the location and the strategy are rather less radical. For a group with operations in 60 countries, the probable acquisition by the French company Sodexho of Gardner Merchant, the UK's biggest contract caterer, for about £730m is a logical step.

While Sodexho is relatively unknown in the UK, its latest potential purchase would add to wide ranging operations which include restaurants in Saudi Arabia and prison management in the US.

Sodexho was founded in Marseilles in 1966 by Mr Pierre Bellon, who remains its chairman and chief executive. In the last three years alone it has expanded into 25 countries and now operates through more than 5,000 businesses.

The company has been quoted on the Paris Bourse since 1983. A little more than 48 per cent of the shares are owned by Financière Sodexho.

The group is one of a growing number – including BET and Serco in the UK – specialising in the intangible art of contract management. It has been able to take advantage of the trend throughout the business world for companies to contract out all but their core activities.

Some 60 per cent of group turnover comes from operations outside France, and nearly one third from outside Europe. About 84 per cent represents contract management work in the business, education and healthcare sectors.

The rest is split between remote site management for civil engineering and oil exploration, leisure services such as river cruises, and service vouchers for products including meals.

In the year to August 31 1994, Sodexho reported turnover 6 per cent ahead at FFr11.2bn (£1.32bn) and net income of FFr20.7m, up nearly 25 per cent on the previous year. The company employs about 55,000 staff.

In the UK, the group's sales totalled FFr103m during the year, including contracts for the Fife Health Board, Chelsea & Westminster Hospital in London and a national health service trust in Liverpool.

Prison management is an area that Sodexho has been eyeing with increasing interest. The group provides services to five in France, and has a growing stake in Corrections Corporation of America, which it plans to raise to 20 per cent.

Another growth area has been the use of service vouchers – tokens to pay for meals and, increasingly, other products and services such as childcare, work clothes and gifts.

PSIT advances by 12%

PSIT, the property investor, raised pre-tax profits by 12 per cent from £5.38m to £6.04m in the six months to September 30.

The company said its main investment activities had progressed satisfactorily. Rents from investment properties rose from £9.91m to £11.1m, while interest costs fell slightly from £4.56m to £4.4m.

Rentals were expected to rise further in the second half after last July's £12.3m acquisition of Houndmills Industrial Estate from British Rail. Further acquisitions were expected. The company said redevelopment opportunities existed at Houndmills and other sites.

Earnings per share rose to 3.4p (3p) and the interim dividend goes up from 1.75p to 2p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
APTA Healthcare ......int	0.4	Feb 20	-	-	-
Banks (Sidney C) ......int	3.5	Apr 4	3.5	-	9.75
Cray Electronics ......int	1†	Apr 6	0.75	-	2.25
Dalepak Foods ......int	1	Apr 6	0.5	-	1.5
Dixons ......int	1.8	Mar 1	1.7	-	6.6
Exmoor Dual ......int	2.25	Mar 9	2.25	-	9.05
FNFC ......fin	1	Mar 10	1	1.5	1.5
Irish Contl ......fin	2.4†♣	Mar 31	2	3.6	3
PSIT ......int	2	Apr 3	1.75	-	4.625
Sthn Business ......fin	2.45	-	2.45	3.72	3.72
VHE ......int	1.35	Feb 21	1.1	-	3.8

Dividends shown pence per share net except where otherwise stated. †On increased capital. ♣Irish pence.

COMPANY NEWS: UK AND IRELAND

Cray Electronics turns in 29% rise to £10.1m

By Paul Taylor

Organic sales growth and margin improvements helped Cray Electronics Holdings, the data communications and software systems group, to achieve a 29 per cent increase in interim pre-tax profits.

Pre-tax profits in the six months to October 31 increased from £7.8m to £10.1m on turnover which grew by 36 per cent to £135m (£114m).

Earnings per share emerged at 3.03p (2.49p) and the interim dividend is increased to 1p (0.75p). The results were in line with forecasts, however the shares closed 6p lower at 148p.

Mr Roger Holland, chairman, said, "Cray retains the momentum, built up over the past five years, to improve profits and earnings. All three divisions have performed well, with particularly strong growth outside the UK".

Operating profits rose from £7.7m to £9.94m. The advance was led by Cray Communications, which lifted its profit contribution to £7.8m (£6.7m) and recorded improved operating margins of 9.5 per cent (8.9 per cent) despite charging £1.5m for product rationalisation in Europe and the integration of operations in the Asia/Pacific region.

The division's turnover grew from £74.9m to £82.5m, representing organic growth of 10 per cent. Network products accounted for 30 per cent of the turnover while the higher-margin network systems integration business was responsible for the remainder.

Cray Systems, which now includes P-E International's previously lossmaking computer services operations, reported profits of £1.9m (£1.2m) on turnover of £34.9m (£21.8m). Operating margins marked time at 5.5 per cent.

Meanwhile the P-E International management consultancy business returned to the black with a modest £200,000 profit on turnover of £17.6m (£2.8m). Cray Technology slipped from £800,000 to £600,000.

The group ended the period with cash balances of £2m, down from £17.2m six months earlier, reflecting the need for £15m of additional working capital together with net fixed asset purchases and other expenditure totalling £10.4m.

● **COMMENT**

Cray Communications, and the systems integration business in particular, remains the driving force behind Cray's advance. This business is being actively expanded through the opening of new offices in continental Europe, strategic alliances in the UK with BT and ICL, and new sales agreements in the US. Although growth is expected to be primarily organic, the group is considering purchasing a systems integrator in the US next year to expand its presence in that key market. Meanwhile the traditionally stronger second half should lift full year pre-tax profits to some £33m, producing earnings of about 10p. Looking further ahead, on the basis of next year's prospective earnings the shares are trading at a modest discount to the market and should move higher.

British Steel spends £87m on two projects

By Andrew Baxter

British Steel is spending £87m on two projects in the US and south Wales, in moves which will include the first significant recruitment in its UK workforce for several years.

The largest of the investments will cost about $100m (£65m) and involve the relocation of two direct reduced iron (DRI) units from Hunterston in Scotland to a site, yet to be finalised, on the Gulf coast.

DRI is to be the main raw material used in the 1m-ton-a-year plate mill which British Steel is building at Tuscaloosa Steel, its Alabama subsidiary. It reduces the need for using scrap and produces a better quality steel.

The project means British Steel has announced investments in the US of about £210m in the past four months, including £97m for Tuscaloosa and £48m for its share in Trico Steel, the sheet and strip mini-mill joint venture with LTV of the US and Japan's Sumitomo Metal Industries.

The DRI units have been mothballed since 1980, and require some refurbishment. Due for commissioning in 1997, they will produce about 1.1m tonnes of DRI each year, of which 300,000 will be supplied to Tuscaloosa.

The rest will be sold to other steel producers in the electric arc furnace sector, including Trico, which will also be sited in the south-east US.

In south Wales, British Steel is spending £22m on installing a second slab casting machine at Llanwern. The decision will create 150 jobs – the first such increase in the company's UK workforce for several years. A further 120 jobs will be created at British Steel Engineering in Cumbria, which will install the caster.

The project, involving a caster from the closed Ravenscraig works in Scotland, is a low-cost, quick payback scheme to eliminate a bottleneck in slab capacity. It will lift hot-rolling capacity at Llanwern from 2.2m to 2.9m tonnes. British Steel is also relining a furnace at Llanwern.

Pride of Bilbao ferry helps Irish Continental to I£9.32m

By John Murray Brown in Dublin

Irish Continental, the Irish shipping group, reported a 97 per cent increase in pre-tax profits for the year to October 31 from I£4.74m to I£9.32m (£9.2m). The result reflected the first contribution to its ferries division of the Pride of Bilbao cross channel ferry, acquired in November 1993.

The company, which operates freight and passenger services from Ireland to the UK and the Continent, reported group turnover 7 per cent ahead at I£116.8m (I£108.8m).

Total passenger numbers were about 1.35m, most of whom came from the Ireland-UK route. A substantial increase in motorist traffic more than offset a decline in foot passengers. The continental recession brought a 7 per cent decline in passenger traffic on the Ireland-France route.

The company said that overall the passenger market remained "competitive but buoyant", adding that financial performance should be assisted by the improved political situation in Northern Ireland.

The container and terminals division recorded operating profits of I£3.6m, up from I£400,000 last time. Sales were 12 per cent ahead to I£29.7m.

In addition Irish Continental's 25 per cent stake in the Bell Lines realised I£1m, up from I£200,000, with a 13 per cent increase in total loads.

During the year, the company invested about I£86m, funded by a rights issue and bank debt. The main items of expenditure were the purchase of the Pride of Bilbao and advance payments on the building of the Dublin-Holyhead route.

Strong cash flow resulted in comfortable gearing of 55 per cent at the year end and interest covered almost five times, the company said.

Earnings per share were 40.2p (26.1p). The board recommends a final dividend of 2.4p, bringing the total for the year to 3.6p (3p).

Exmoor Dual net assets decline

Net assets per ordinary share at Exmoor Dual Investment Trust stood at 48.07p at the end of the three months to November 30, compared with 68.3p for the same period of 1993.

Earnings were 1.18p (1.75p) per income share and 0.21p (0.3p) per ordinary share. The interim dividend per income share is unchanged at 2.25p.

US prognosis keenly awaited

Daniel Green on why OTC approval for Zovirax is vital to Wellcome

Later today the powerful US Food and Drug Administration could deliver a blow to Wellcome, the UK drugs maker.

Its advisory committees are scheduled to pronounce on the future of Wellcome's biggest selling drug, the anti-viral Zovirax. The FDA is considering Wellcome's application to sell the drug over-the-counter to treat genital herpes.

The switch to OTC status is a central strategy for Wellcome: last year it created an OTC joint venture with Warner-Lambert of the US, with Zovirax as the central product.

The prescription version is one of the 15 top-selling drugs in the world. It brings Wellcome £600m a year – about 40 per cent of total turnover.

But Zovirax's patent protection is running out in Europe and the US. In the US, where Wellcome makes almost half of its sales, the patent expires in April 1997.

After that date, generic drugs will be launched and Zovirax sales could fall by 80 per cent within months – if the pattern following the expiry of other recent patents is followed.

"The effect would be zero earnings per share growth between 1995 and 1998, because of the probable fall in earnings in 1997," says Mr Mark Clark, pharmaceuticals analyst with stockbroker UBS.

On top of that, the Warner-Lambert joint venture would have to be renegotiated – it depends on US OTC approval being granted before April 1997.

The chance of an immediate go-ahead from the FDA committees appears slim. There are questions with any prescription-to-OTC switch over whether patients can diagnose themselves effectively, or whether they will misuse the drugs. With a sexually transmitted disease, such as genital herpes, the consequences of mis-diagnosis or treatment that was halted prematurely can be serious for the patient and his or her partners.

There may also be questions of censorship over labelling and marketing of a medicine for a sexually transmitted disease.

Mr John Robb, Wellcome's chairman and chief executive, concedes that the committees may seek further information before granting approval. But not only will approval come, he insists, it will be supported by progress elsewhere in the company.

It is true that some of last year's troubles have been resolved. A new finance director starts this week. Like Mr Robb, Mr Russell Walls, formerly at Coats Viyella, is a cautious Scot. He takes over seven months after the sudden departure of his predecessor Mr John Precious.

Mr Robb adds that an FDA warning in September on manufacturing methods at the company's US production plant was resolved after an inspection last month.

On the product front, Zovirax's successor, Valtrex – a prescription anti-viral product – is likely to be approved for sale in several markets later this year. Wellcome would then embark on a programme to switch prescribers from Zovirax to Valtrex before the former's patent expires, says Mr Robb.

Several other drugs will also begin to contribute this year, including the epilepsy treatment Lamictal, approved by the FDA last month.

However, Valtrex will not have an easy ride. Zovirax had no competition when it was launched in the early 1980s, but Valtrex will have to fight for market share with SmithKline Beecham's Famvir. And Mr Robb concedes that the other drugs are unlikely to achieve the "blockbuster" tag enjoyed by Zovirax.

Perhaps Wellcome's most powerful weapon is its £800m cash pile. Mr Robb is looking for "the right opportunity". Any deal would be big. "We're looking for a bold step. It will not be a £50m acquisition," he says. But a deal is unlikely to be concluded in the short term. Mr Robb says only that: "I'd like to do something before I retire in 1998."

He rejects speculation about Wellcome itself being a takeover target. Such speculation has periodically lifted the group's share price.

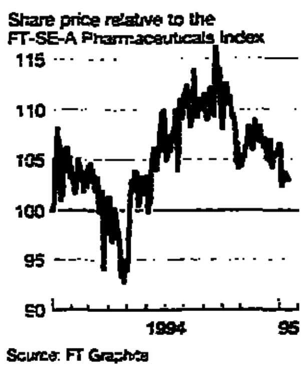
The theory is that a company which ranks about 20th in the world lacks the critical mass to compete with the top ten. Several deals last year – such as the purchase by Switzerland's Roche of California's Syntex – lend support to this view.

Mr Robb insists that "being a niche player is a sustainable position," provided that research and development continues to create new products. At Wellcome, that means concentrating on just three medical areas – anti-viral, neurology and cancer. Other areas, such as heart disease, are being cut.

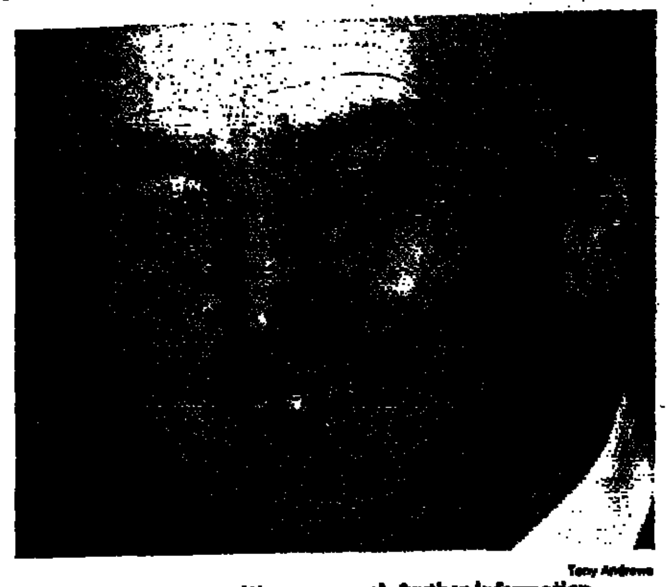
But if the company is weakened by an outright rejection of its attempt to turn Zovirax into an OTC product, bid speculation may return.

The company acknowledges that its future may be decided in Washington, by the FDA. "Approval is critical," says Mr James Cochrane, Wellcome's European operations director.

Wellcome



Source: FT Graphite


Tony Andrews

John Robb: FDA committees may seek further information

APTA Healthcare pays £4m for nursing home expansion

By James Whittington

APTA Healthcare, the Midlands-based nursing homes operator, yesterday accompanied maiden interim figures with the £4.17m acquisition of three more nursing homes.

APTA, which gained a listing in May as Midland Assets and underwent a reverse takeover in October, reported turnover of £1.05m and pre-tax profits of £121,000 for the six months to October 31. It has expanded rapidly following a £2.6m rights issue in October.

Consideration for the three homes, situated in and around Lincoln, comprises the issue of 1m new shares at 17p and £4m in cash. The deal brings an additional 156 beds, taking the company's total to 856.

Mr Trevor Price, chief executive, said that since the reverse takeover new management had been appointed and a programme of refurbishment had taken place. Occupancy rates at existing homes was 96 per cent.

The company would continue to offer care for the elderly but would also focus on developing a niche in rehabilitation of the mentally ill or sub-acute patients. "APTA's strategy is to increase the number of beds to over 1,000 by 1996 and consolidate our presence in the sub-acute sector," he said.

After the latest acquisition, gearing stood at 90 per cent. Pro forma net assets of the enlarged group were £9.95m.

The maiden interim dividend is 0.4p, matching earnings per share, and a final of 0.5p is forecast.

VHE advances 16% to £2.05m

VHE Holdings, the specialist contractor which came to the market last September, announced a 16 per cent rise in pre-tax profits from £1.77m to £2.05m in the half year to September 30.

Turnover for the group, which specialises in environmental land regeneration, improved to £13.5m (£12.6m).

In the second half there were encouraging signs of demand, both in the core construction business and in additional services, Mr Brian Waldron, chairman, said.

The interim dividend is 1.35p (1.1p), from earnings per share of 4.3p (3.9p).

Arcadian raises £13.8m for hotels buy

By Heather Davidson

Arcadian International, the hotel operator and leisure developer, has announced the acquisition of two hotels, a proposed placing and open offer, and its intention to return to the dividend list.

The addition of the Haycock Hotel, near Peterborough, and the Mollington Banastre Hotel, near Chester, brings its portfolio of hotels in the UK and France to 15. Arcadian will acquire the Haycock and the entire issued share capital of The Mollington Banastre for a total of £10.3m cash.

It intends to fund the purchases, as well as further investment in existing activities, through a placing and open offer of 40.7m shares on a 7-for-12 basis at 37p to raise £13.8m. Chaterhouse Tilney is broker to the issue, which is fully underwritten by Charterhouse Bank. The shares were unchanged at 40p.

Mr Robert Breare, chief executive, said the acquisitions continued its strategy "to build a national network of individual and unique hotels".

Arcadian estimates pre-tax profits of not less than £1m for 1994; this figure does not include its share of losses at the Manoir de Gressy Hotel, which began trading in September and is expected to achieve an operating profit in its second year. In the eight months to end-December 1993 Arcadian's losses before tax were £471,000.

It intends to resume dividends with a final of 0.8p. The last pay-out was in 1990.

Little new year cheer for builders

James Whittington and Christopher Price analyse the continuing decline in construction sector share prices

The gloomy predictions for the housing market this year have left not only homeowners under a cloud. Building and construction companies have also blanched at the negative forecasts – and the fresh downward pressure on their share prices.

Following a 25 per cent drop in the FT-SE-A Building and Construction sector index during 1994, there has been a further decline of 1.93 per cent since the beginning of the year. Industry analysts believe there is little indication that share prices will recover much in the next few months.

Last year, an initial surge of optimism – with the sector index peaking at 1,569 in early February – was followed by a decline to 982.23 at the end of the year.

Personal tax increases in April together with two separate rises in interest rates contrived to work against the housing market, discouraging house moves and unnerving first-time buyers. Meanwhile, contracting – beset with overcapacity and little public expenditure – remained in the doldrums.

The outlook for the building industry during 1995 is likely to show little change, according to analysts. They forecast the rate of growth in construction work to fall from 2.4 per cent last year to 2 per cent in 1995.

Growth is forecast to come mainly from the the new housing market, which contributes on average 65 to 75 per cent of the sector's profits. Mr Chris Grant, building analyst at Barclays de Zoete Wedd, says that most construction companies are in a strong position for recovery with new homes selling well and large landbanks on their books for development.

Last year, the number of new homes sold overtook that of existing properties for the first time. Some housebuilders have responded to this shift by increasing volume targets. Barratt, for instance, aims to sell 7,000 new units by June 1995, compared with 5,872 in the previous 12 months.

However, Mr Grant believes margin pressures and weak consumer confidence will continue to be a restraint. "Both housebuilders and contractors have been hit with price rises from their suppliers. Because of low demand these have been absorbed rather than passed on to the buyer," he says.

Mr Robert Donald, an analyst at NatWest Securities, argues that the sector is also suffering from a lack of house price inflation. He says the sector's share price tends to follow closely movements in house prices more than any other single variable, and in an environment of low prices an increase in volume will not dramatically affect profits.

"Rising house prices tend to inject an element of urgency into the housing market and this has been lacking for a number of years," he says.

In contracting, analysts complain of serious structural problems as the main hindrance to growth. Mr Donald argues that cuts in public expenditure combined with an increase in the number of companies competing for work has led to margins being "shaved dangerously thin".

Mr Joe Dwyer, chief executive at Wimpey, believes this will inevitably result in a shake out of the sector. "I suspect there will be some pain and anguish for contractors in the new year," he says.

Mr Olivor Whitehead, chief executive at Alfred McAlpine, agrees: "It is going to be another tough year. 1995 will be about improvements in quality, delivery and product in order to improve margins."

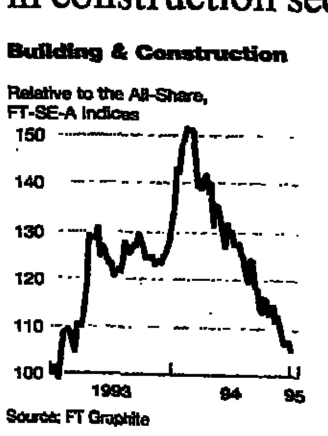
The low ratings these concerns have had in the sector and uncertainty over the future have so far failed to attract bargain hunters.

"There are probably at least another two rate rises to come over the next few months before fund managers return to the sector with any certainty," says Mr Grant. BZW is forecasting base rates of 7 per cent by the middle of this year, against a current rate of 6.25 per cent.

As well as the interest rate worry, other observers cite concern over the phasing out of mortgage relief and the continuing impact of tax increases restricting recovery.

"We are not expecting the building and construction market to improve during 1995," says Mr Whitehead. "Any improvements in profitability are going to have to come through greater efficiency."

Building & Construction



Source: FT Graphite

كلمة من الأصل

COMPANY NEWS: UK

Pentos shares slip as sales rise disappoints

By David Blackwell

Shares in Pentos, the specialist retailer which forced Athena into receivership at the end of last month, fell by 1p to 10½p yesterday after a Christmas trading statement.

Dillons, the flagship bookstore chain which accounts for almost 80 per cent of group turnover, had a like-for-like sales increase of only 1.4 per cent in the second half. This compared with a 2 per cent improvement in the first half.

Like-for-like sales at Ryman, the stationers, were 1 per cent ahead in the second half.

Mr Bill McGrath, chief executive, said that the third quarter at Dillons had been badly affected by the clearance of old and redundant stocks. Since the low point in sales last June, the growth rate in sales volume had been 20 per cent – "and that's a pretty steep recovery".

Fourth quarter sales, by value, grew by 5.4 per cent, with 8.6 per cent growth in December.

Mr McGrath said all sales for the half were made at full margins from stock levels nearly 30 per cent down on the previous period. He admitted: "The figures are not as exciting as we or our shareholders wish to see, but they show a solid improvement and there is no sleight of hand here."

City analysts had been looking for much higher improvement in organic sales, possibly as much as 10 per cent. They were concerned that the company had seemed to indicate last October a sales increase for the third quarter.

Mr McGrath said that he had certainly not indicated any increase, but he had produced figures showing that market share had improved from a low of 31 per cent in June to 38 per cent in September.

Profits from now on would be both sustainable and predictable, he added. The group now had a proper depreciation policy in place, as well as policies for both stock shrinkage and ageing.

He rejected suggestions that the chain had similar problems with property as Athena had. He said that Dillons might have a similar rent roll, but the sales per square foot were considerably higher. In addition, the group had not taken on reverse premiums in the last year.

He expressed regret over the demise of Athena, closed by the receivers on Tuesday. It was unfortunate that landlords had not given the receivers time to find a resolution that would have allowed some of the 127 shops to continue trading.

Meanwhile, his claims that suppliers were supportive of the new management at Dillons were confirmed by two publishers. Mr Simon Wratten, sales director at Oxford University Press, said that business with the group had proved a shining example in a difficult year for the industry. Mr Tim Hely-Hutchinson, chief executive at Hodder Headline, said the group now paid on time and had undergone a "huge improvement".

Time is past for BA to settle out of court, says Branson

By Michael Skapinker, Aerospace Correspondent

Mr Richard Branson, chairman of Virgin Atlantic, yesterday rebuffed suggestions that he might be prepared to reach an out-of-court settlement with British Airways over the "dirty tricks affair".

Mr Branson, who was speaking at a lunch in his honour at the Royal Aeronautical Society, said: "It's really gone beyond the time for a settlement. We're going to have to let the courts decide what the right figure should be and settle it that way."

Mr Branson's remarks followed a suggestion earlier this week by Sir Colin Marshall, chairman of BA, that a settlement might still be possible.

Sir Colin said that the costs of court action would be high for the two companies and added: "I think the other side may be thinking about that one too."

Mr Branson said Virgin had previously been happy to talk about a settlement with BA.

After Virgin had won a libel action against BA in 1993, "we made it clear that we had no wish to spend years fighting BA in court," he said.

"In an ideal world, we would have thought they and we would have wanted the whole thing behind us."

A US court ruled recently that Virgin Atlantic could proceed with a $1bn (£600m) anti-trust lawsuit against BA.

The court did, however, grant a motion from BA to dismiss five of Virgin's eight claims.

Kunick FFr46m disposal

Kunick, the leisure group, has further reduced its interests in nursing homes with the sale of 50 per cent of Finagest, its French care home business.

NatWest Ventures Investments and Capital Privé have paid FFr46m (£5.5m) for the holding, resulting in a total gain of £2m. Kunick's remaining interest has been revalued giving a net surplus of £2.2m.

The company said as a result of the deal it would retain net cash of £4m and would lose £5.8m of borrowings from the balance sheet.

It is intended to double the number of Finagest's beds over the next 15 months with 80 per cent of the cost being financed by long term debt.

Shell Petrol to sell two Colombian companies

By David Lascelles, Resources Editor

Shell Petroleum is putting two of its exploration and production companies in Colombia up for sale. The properties, producing 20,000 to 25,000 barrels a day, were worth $500m (£321m) when bought from Tenneco six years ago.

Shell said it had decided that the companies, Hocol and Homcol, no longer formed a strong strategic fit within its worldwide portfolio of exploration and production interests, and might offer greater value to other companies interested in Colombia.

Salomon Brothers has been asked to find potential buyers.

Hocol and Homcol own extensive exploration acreage and producing assets in the upper Magdalena valley and the central Llanos area, as well as interests in two Colombian oil pipelines.

Shell stressed that the sale would not affect its other interests in Colombia. Through two other subsidiaries, it is active in exploration, production, manufacturing and marketing, producing about 40,000 barrels a day.

Shell has been engaged in a wide ranging review of its operations as part of a global cost-cutting exercise.

Moorfield Ests makes £3.29m acquisitions

Moorfield Estates, the USM-quoted property investment group, has acquired three properties for a total of £3.29m.

Of the two London properties bought, the largest was the freehold of two buildings at 1-3 Pont Street, SW1. Contracts have also been exchanged for the former Tesco site at 89-91 Chapel Street Market, N1. The group has also purchased a small parade of shops in Causeway Head, Penzance, Cornwall.

Moorfield said the properties produced annual rental income of £344,000.

FNFC back on track with £1.3m

By Alison Smith

First National Finance Corporation, the consumer credit and commercial lending group, has returned to profit for the first time since 1990, with a pre-tax figure of £1.32m for the year to October 31.

A final dividend of 1p is recommended. The share price responded with a 7p rise to 64p.

The group continued to run down and dispose of its loss-making commercial lending and property business. It is developing its consumer credit operation, which specialises in home improvement loans and second mortgages.

Mr Martin Mays-Smith, chairman, admitted that the turnround from the previous loss had been helped by changes in accounting rules. This required more expenses from 1993 to be charged to that year's accounts.

Accordingly, the results for 1992-93 had been restated to produce a loss of £37.3m, with £3.3m of costs taken out of the 1993-94 accounts.

Mr Mays-Smith acknowledged that the results "fell far short of a normal level of profitability", but FNFC was "on course to give shareholders a satisfactory return within a reasonable time".

He highlighted the increased profitability of the consumer credit business, which achieved a 58 per cent rise in profits to £26.3m (£16.6m) and a 19 per cent increase in new business.

Provisions against bad debts in this area fell by £10m to £46m. Costs increased to £41m (£38m).

Commercial lending sharply reduced its pre-tax loss to £12m (£23m). The property business cut its deficit to £5.2m (£9.5m).

The company said it was continuing to meet the terms of the refinancing deal agreed 18 months ago and total debt had been reduced to £730m (£910m). It hopes to agree less restrictive medium-term banking facilities during the course of this year.

It also plans to introduce a new executive share option scheme: FNFC's poor results in the past have meant there have been no payments under the group bonus scheme since 1991 and Mr Mays-Smith said that the total pay of many senior executives had dropped from the levels of five years earlier.

FNFC wants the consumer credit business to achieve a 4 per cent pre-tax return on loans and advances – almost double the return of just over 2 per cent reported for 1993-94.

Ashley Ashwood

George Cracknell, executive vice-chairman, (left) and Tim Ingram, finance director (centre) with Martin Mays-Smith

Frozen foods help Dalepak recover

By Graham Deller

An improved performance from its troublesome frozen foods operation helped Dalepak Foods mount a substantial recovery at the interim stage. The shares closed up 7p at 128p.

The North Yorkshire-based group, which acquired Ross Young's frozen meat products business in December, reported pre-tax profits of £721,000 for the six months to October 31, up from just £29,000 in the comparable period and £514,000 for the last full year. Group turnover edged ahead to £20.2m (£19.2m).

The company warned, however, that net profits in the second half would be affected to the tune of £650,000 by the costs of reorganising the acquisition.

Frozen foods lifted turnover by 5.7 per cent, 3 per cent of which was volume growth. The company retained leadership in the grillsteak market and new products, including vegetable tikka grills and minted lamb grills, are scheduled for this year. Sales of ready meals, however, showed a slight decline reflecting later than anticipated new product introductions.

Gearing at the period end had been cut to 18.5 per cent (36 per cent at April 30). Directors said the ratio would rise to about 70 per cent by the year end following capital expenditure and the reorganisation costs, but should fall below 50 per cent in the following year.

Earnings per share emerged at 4.18p (0.16p) and the interim dividend is doubled to 1p.

Gold production rises 34% at Cluff Resources

By Kenneth Gooding, Mining Correspondent

Cluff Resources, the UK-based company with gold mining operations in Africa, produced a record 79,323 troy ounces of gold last year, 34 per cent up on the 59,060 for 1993 and well ahead of the previous peak of 72,238 ounces in 1992.

Mr Algy Cluff, chairman, said the Ayanfuri mine in Ghana was producing above forecasts and the Freda Rebecca underground mine in Zimbabwe was now in full production. He expected output to exceed 130,000 ounces in 1995.

He said early stages of exploration at the Geita project in Tanzania were "encouraging", adding that if drilling confirmed these results the company expected Tanzania to be its next production base.

Sidney C Banks shows halfway fall to £1.48m

Sidney C Banks, the grain and agricultural specialist, reported pre-tax profits of £1.48m for the six months to October 31, down from £2.06m last time.

However, Mr Alistair Mitchell-Innes, chairman, described the outcome as "very satisfactory" as the previous first half reflected benefits carried over from the increase in stock values following the UK's ERM withdrawal.

Turnover improved 8 per cent to £123.9m following higher commodity prices and increases in market share of agricultural inputs.

Most divisions performed well, he said, despite fierce competition and a lack of new cereal seed varieties.

Earnings per share dipped to 11.2p (15.6p) but the interim dividend is maintained at 3.5p.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 12.01.95: Pool purchase price £/MWh	Final Prices for Trading on 15.12.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	24.49	9.08	9.08
0100	24.60	25.56	27.66
0130	33.11	60.66	62.78
0200	33.11	60.66	62.78
0230	24.60	60.66	62.78
0300	24.60	10.76	12.86
0330	24.60	10.76	12.86
0400	24.60	9.14	9.14
0430	23.95	9.09	9.09
0500	23.95	9.09	9.09
0530	23.96	8.99	8.99
0600	10.08	8.99	8.99
0630	10.09	8.99	8.99
0700	37.32	10.07	10.07
0730	38.92	30.63	32.77
0800	65.78	35.27	37.53
0830	105.39	49.78	52.18
0900	111.02	50.72	53.40
0930	67.48	39.76	42.57
1000	65.86	39.88	42.70
1030	62.97	38.32	41.99
1100	61.52	38.32	40.88
1130	63.57	38.18	40.63
1200	66.54	38.11	40.60
1230	67.31	37.83	40.23
1300	71.31	35.50	37.83
1330	62.71	31.51	33.75
1400	43.10	31.43	33.64
1430	40.62	31.35	33.54
1500	39.77	31.37	33.56
1530	19.85	32.17	34.64
1600	49.07	53.61	62.82
1630	226.50	139.06	166.53
1700	484.26	249.60	282.10
1730	587.98	293.65	335.65
1800	492.97	235.58	269.09
1830	363.60	123.75	141.58
1900	144.71	69.97	78.92
1930	80.75	50.28	65.24
2000	47.56	36.39	39.17
2030	39.45	31.49	33.70
2100	37.11	33.25	35.38
2130	33.24	33.17	35.28
2200	31.89	30.56	32.67
2230	31.05	30.29	32.39
2300	31.63	29.75	31.85
2330	23.86	10.03	10.03
2400	23.86	8.99	8.99

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

COMMODITIES AND AGRICULTURE

Forecasts for Russian nickel exports 'too low'

By Kenneth Gooding, Mining Correspondent

Nickel production in the former Soviet Union was significantly higher last year than most western analysts expected and forecasts about Russian exports were also probably too low, according to Macquarie Equities, the London-based subsidiary of the Australian banking group.

Even if there is a sharp fall in Russian output this year because of problems at Norilsk, the combine that is the world's biggest nickel producer, there is a risk that the global market will be over-supplied in the second half of 1995, it says.

Macquarie says it has obtained the first detailed picture of 1994 nickel production at Norilsk. This shows output of refined nickel from the Norilsk and Monchegorsk refineries was 173,000 tonnes, some 4.8 per cent higher than in 1993. Total Commonwealth of Independent States production was 190,000 tonnes, unchanged from the 1993 level. This compares with a recent estimated by Inco, the world's second-largest nickel producer, that 1994 CIS production would be about 152,000 tonnes.

Mr Jim Lennon, Macquarie's metals analyst, says Russian exports last year, including nickel in scrap, were at least 150,000 tonnes. "This explains why London Metal Exchange stocks rose by 24,000 tonnes when most market pundits said the market was in large deficit."

Also, previous estimates of western consumption might have been too low. Macquarie estimates that consumption rose by 9.6 per cent to 740,000 tonnes and says it is likely to grow by a further 7.4 per cent in 1995 to 790,000 tonnes, which would leave the market in deficit by 20,000 tonnes.

However, whatever problems batter Norilsk, Russia will still have more than 100,000 tonnes of nickel available for export and "if Russian exports rebound by mid-year, the market could move back into over-supply and prices will come under renewed selling pressure," Mr Lennon warns.

Rubber consumers search for cheaper supplies

Soaring natural rubber prices meant consumers were accepting supplies from sources previously neglected due to quality preferences, according to German importers, reports Reuters from Hamburg.

"Tyre companies have started to consider rubber from new producers," one said. "In the past, they never had any problems buying certain origins in time but since the high price period set in last December, this attitude has softened."

Indonesia, Thailand and Malaysia were respectively the most expensive, in that order, followed by Sri Lanka and the Ivory Coast, he said, naming Nigeria, Gabon, and Vietnam as cheap suppliers.

South-east Asian prices hit six-and-a-half year highs this week as strong western world demand coincided with the inception of the wintering season, when tapping is reduced.

"Consumers were not prepared for the high prices to last and their stocks are not high," another importer said.

Marketing flows could change if new suppliers became established, he said. "Some of their qualities are very good and prices can be up to 10 per cent below Asia's."

MARKET REPORT

Coffee surrenders early gains

London Commodity Exchange COFFEE futures see-sawed yesterday before ending marginally higher overall.

Suggestions that Brazil, the world's leading producer, might implement an export retention scheme alongside that already being operated by its Central American neighbours helped push the March delivery contract to $2,815 a tonne early on. But gains were trimmed by options-linked selling and profit-taking after a lack of buying support was seen in the New York market. London's March position closed at $2,757 a tonne, up just $4 on the day.

"While Brazil could implement a retention scheme with real bite, sceptics use talk of retention to sell as they fear producers may be talking the market up before bringing their coffee to market," one dealer said.

COCOA futures also finished a little higher, but in contrast to coffee had to recover from an early bout of selling. The March contract closed at £1,008 a tonne, up £4, after sinking to £994 in the morning.

"We appear to have seen a concerted effort by several trade houses to run the market up before the close," said a trader.

At the London Metal Exchange base metal markets moved lower for most of a slow session, with COPPER and ALUMINIUM leading the retreat.

"It was one of the quietest days we've seen for some time," said one dealer. "A lot of people decided to hold off today, and the market just drifted at times."

Aluminium's midsession losses were partly erased in the afternoon as the market picked up light speculative support.

NICKEL prices at one stage threatened to test the 4¼ year high of $9,575 a tonne set late last year but scale-up selling in light conditions reversed the advance.

Compiled from Reuters

Helping to bridge Asia's widening food gap

David Spark talks to the director-general of the International Rice Research Institute

In 30 or 40 years' time Europe's farmers will be needed to help feed Asia, says Dr Klaus Lampe, in the Philippines.

By the middle of the next century there will be at least 6bn or more Asian's to be fed, using less land, less water, less pesticide and less labour, he says. "Asia has to look for another bread-basket in addition to mobilising its own resources. The potential in Europe at the moment is not utilised. It needs to be retained, restored and mobilised so that western and eastern Europe in about 30 or 40 years can be a large provider of food for Asia."

Dr Lampe calculates that Asian rice output needs to double just to maintain the present, inadequate nutrition level. World-wide 1,200 children die every hour of hunger or hunger-related diseases. Manila has 150,000 street children.

The potential rice yield in the warm, humid tropics has levelled off at ten tonnes an acre. But IRRI has bred a new variety that has achieved up to 12.5 tonnes in trials. Dr Lampe says resistance and tolerance of pests, diseases and stresses still have to be built in and the grain quality needs improving. But "we have proved that a dramatic increase in yield is still possible".

> 'Asia has to look for another bread-basket'

He wants to take the drudgery out of rice-growing, so that farmers will stay on the land and grow it, rather than moving to the cities.

"At the moment, rice is almost a slavery," he says. "You have to walk 70 km in mud to prepare one hectare of rice land, and you have to stoop 25,000 times to plant it. In Bangladesh the farmer has to weed for 100 days for every hectare of crop.

"Women don't want to be slaves in rice production. We believe through careful mechanisation and change of practice, for example from wet to dry ploughing and from transplanting to direct seeding, we can reduce the time used dramatically. That is needed to make farming attractive enough for the next generation."

Dr Lampe sees an important role for the village blacksmith. "The blacksmith will produce small equipment, from rice mills or an oven which uses rice-hull as fuel to a motorised plough and a thresher which avoids farmers having to harvest by hand and thresh with a stick. The technology a blacksmith can develop is important for making life in the villages of Asia more attractive."

A small rice mill developed by IRRI from a Chinese pattern can be shared by two, three or four farmers and save them having to move their rice miles to a big mill often owned by a money lender. They can then sell their rice when they want.

The small mill, says Dr Lampe, can be built by any craftsman. It needs a one-cylinder engine of a sort available all over Asia. He also envisages farmers using a chlorophyll meter allow them to let them measure the nutrition needs of rice plants and help cut the use of nitrogen fertiliser. A way of economising on phosphate is also needed but more difficult to achieve. Present resources will last only 150 years.

A problem with rice-growing is that it emits methane, a greenhouse gas. Rice paddies, says Dr Lampe, produce almost as much methane as all the cattle in the world. Most of the methane is transmitted through the rice plants.

"We are trying," he says, "with scientists from Europe and the United States, to reduce the methane emission of rice. We want to try to build a kind of muffler into the rice plant."

UK mushroom growers 'aggrieved' over Irish subsidies

By Deborah Hargreaves

British mushroom growers are still facing unfair competition from subsidised Irish producers in spite of the European Commission ruling the subsidies illegal, growers told a select committee of British MPs yesterday.

"One area of grant aid has been classed as illegal, but the Irish are still putting large sums of aid to develop their industry strategy much further," said Mr Miles Warnick, head of the English Mushroom Board and managing director of Chesswood Produce, one of the UK's biggest producers.

Last year, 13 per cent of the UK mushroom-growing capacity was forced out of business by cheaper imports and the industry's employees had dropped from 9,100 in 1990 to 7,000, Mr Warnick said.

The European Commission ruled that Irish tax breaks to growers were illegal and said producers must pay back the funds plus interest within two months. But British growers are pushing for compensation for lost markets caused by the cheaper imports and are considering taking their case to the European Court.

"We clearly feel very aggrieved at the damage done and the time it was allowed to go on. We would like to see compensation over and above the Irish paying back the monies," said Mr Warnick.

British mushroom producers had lost £36m of the £350m home market in the past three years as Irish imports rose from negligible levels to capture a 30 per cent market share. Consumption had remained pretty static at around 320m lb a year, the mushroom board told the MPs.

Kenya denies tea crop setback

Kenya's agriculture minister yesterday denied that transport and crop management chaos in tea-growing areas had affected last year's output of the country's main commodity export, reports Reuters from Nairobi. He said production would surpass expectations.

Mr Simeon Nyachae told a news conference economic hardships that followed a donor ban on quick disbursing aid to Kenya in 1991 meant there had been no money to repair vehicles or buy new ones to ease leaf congestion on farms.

"The transport problem has persisted in all growing areas – west and east of the Rift Valley – but we are trying to resolve it," he said.

Heavy and widespread rains reversed earlier forecasts the 1994 tea crop would drop sharply, he added, and the resultant unexpectedly high output had created capacity problems.

"We have received God's good blessings. Tea production has gone up beyond what was earlier expected."

African Tea Brokers put January-November 1994 tea output at 185.92m kg, a decline of 5.32m kg or 2.78 per cent compared with 1993 and independent commodity analysts now estimate total 1994 output at just above 205m kg, short of the record 211m reached in 1993. Government experts, however, believe output might still have reached 1993 levels.

In November 1991, Kenya's mainly western donors suspended about $40m in balance of payments aid to press the east African nation into sweeping economic and political reforms.

That ban was lifted late in 1993 after the country held its first pluralist elections in 26 years.

Jamaican bauxite output rises by 4.8 per cent

By Canute James in Kingston

Jamaica's bauxite ore production last year reached 11.76m tonnes, 4.8 per cent more than 1993, while alumina (aluminium oxide) output grew 12.8 per cent to 3.32m tonnes, according to the Jamaica Bauxite Institute.

The growth was the result of capacity expansion by the island's refiners, mainly Alumina Partners, which is producing at a rate of 1.45m tonnes a year, up from 1.2m tonnes in 1993. Last year's alumina production was the highest ever by the Jamaican industry, the institute said.

Rising prices for aluminium also lifted returns for bauxite and alumina, taking Jamaica's gross earnings from the industry to US$607m last year, compared with $522m in 1993.

This will be a difficult year for the Jamaican industry because of a cut in production by Kaiser Jamaica Bauxite Company, the island's biggest miner, Mr Parris Lyew-Ayee, managing director of the bauxite institute, said yesterday.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1996-97	2025-26
Previous	2019-20	2041-49
High/low	2006/2005.5	2050/2010
AM Official	2005-5.5	2034-35
Kerb close		2033-4
Open int.	247,395	
Total daily turnover	52,244	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1915-25	1960-64
Previous	1935-40	1977-80
High/low		1970/1965
AM Official	1925-40	1965-80
Kerb close		1965-75
Open int.	2,670	
Total daily turnover	395	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	654-55	670.5-71
Previous	665.5-66.5	682-83
High/low	658	679/668
AM Official	658-58.5	674-75
Kerb close		667-8
Open int.	42,253	
Total daily turnover	5,347	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	9305-15	9470-75
Previous	9330-40	9490-500
High/low	9415/9410	9600/9400
AM Official	9410-15	9565-70
Kerb close		9495-500
Open int.	59,789	
Total daily turnover	16,828	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5960-70	6050-60
Previous	6030-40	6120-30
High/low		6100/6010
AM Official	5980-90	6080-85
Kerb close		6090-100
Open int.	21,200	
Total daily turnover	4,726	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1139-40	1163-64
Previous	1144-45	1167-68
High/low	1139	1169/1159
AM Official	1139-39.5	1163.5-64.0
Kerb close		1160-1
Open int.	102,090	
Total daily turnover	13,025	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	3009-10	3009-10
Previous	3037-48	3037-38
High/low	3030/3022	3037/3000
AM Official	3026-27	3027-28
Kerb close		3004-6

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	376.7	+2.4	376.7	376.0	1	-
Feb	377.3	+2.2	377.4	378.0	92,175	16,611
Mar	379.1	+2.2	-	-	-	-
Apr	381.0	+2.2	381.1	379.7	16,563	1,154
Jun	384.8	+2.2	384.9	383.4	25,173	1,486
Aug	389.1	+2.1	-	-	13,863	150
Total					198,271	20,289

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	410.3	+4.3	410.3	407.5	74	21
Apr	414.9	+4.3	415.0	412.0	19,099	1,544
Jul	419.2	+4.3	419.7	418.0	3,374	184
Oct	423.7	+4.3	-	-	830	-
Jan	427.4	+4.3	-	-	149	27
Total					23,526	1,776

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	158.85	+1.00	159.00	158.00	6,258	210
Jun	160.10	+1.00	160.25	160.00	871	9
Sep	161.10	+1.00	-	-	198	7
Dec	162.10	+1.00	-	-	11	-
Total					7,338	226

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	470.3	+5.2	-	-	-	-
Feb	470.4	+5.0	-	-	10	-
Mar	473.5	+5.0	474.0	468.5	72,772	14,401
May	479.3	+5.0	480.0	474.5	12,119	750
Jul	485.5	+5.0	486.0	480.5	7,033	25
Sep	491.8	+5.0	492.0	489.5	9,607	24
Total					133,358	15,213

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	17.55	+0.18	17.58	17.33	74,037	32,384
Mar	17.48	+0.16	17.50	17.27	70,044	25,173
Apr	17.46	+0.14	17.47	17.38	30,309	8,542
May	17.46	+0.12	17.48	17.41	16,098	1,776
Jun	17.48	+0.13	17.48	17.40	28,902	2,668
Jul	17.50	+0.12	17.50	17.44	13,466	1,136
Total					370,785	74,788

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	107.35	+0.15	107.50	107.20	312	25
Mar	108.30	-0.25	108.40	108.00	1,833	123

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1008	+4	1009	994	38,794	3,563
May	1007	+1	1008	994	18,877	934

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Cotton

Liverpool- No spot or shipment sales were recorded for the third week in succession. Ordering was restricted and the offtake was confined to minimum quantities. Slow trading persisted in certain specialist growths.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	73.050	+0.025	73.250	72.600	29,395	6,366
Apr	73.850	+0.150	73.875	73.275	30,258	3,069

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lbs)

LONDON TRADED OPTIONS

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LCE

■ COCOA LCE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

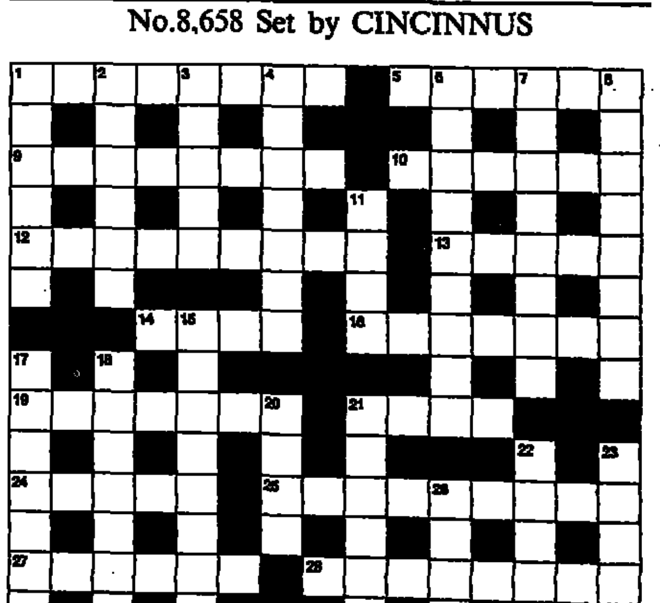
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

■ OTHER

JOTTER PAD

CROSSWORD

No.8,658 Set by CINCINNUS



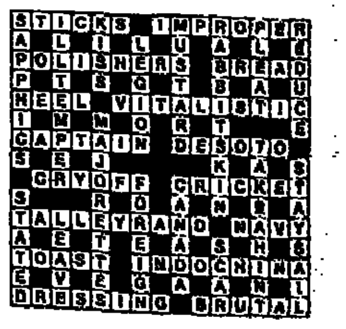
ACROSS

1 A game one plays – if inept, ace is misdealt (8)
5 I call myself back in the same place (6)
9 What's stopping promotion? (8)
10 Well-known body of sportsmen – sumo organisation (6)
12 Having prepared beans on a slice of toast, see about those not there (9)
13 Past CSE? (5)
14 Petty quarrel about listening devices (4)
16 Dyed with spots (7)
19 Periods of prosperity instigate sudden rise (7)
21 Tepid evangelist (4)
24 Corpse making healthy comeback in science fiction (5)
25 Spies cast out as real fugitives? (9)
27 With intense desire prima donna turns to empty lorry (6)
28 Community takes cover out, being apprehensive of loss (8)
29 Some designers ignored Italian style (6)
30 Tin and brown alloy delivered together (4-4)

DOWN

1 Part of capital well-liked but non-U (6)
2 Most reliable and constant in credit (6)
3 Nigel Turner, importer of marbles (5)
4 Errant son taking money without permission (7)
6 Bank least disposed to high growth (9)
7 Doctor admitting a death (8)
8 Fail to reach city – sound is deceptive (8)
11 Snakes always poisonous? Extremely! (4)
15 What Salk did, according to Spooner, with investments (9)
17 People as in USSR after dissolution (8)
18 Drug taken by government leader with high hopes (8)
20 Paradise – Eve's first home (4)
21 Fortune presently located in India (7)
22 Does change include copper coin? (7)
23 Behind when collecting rent (6)
26 Note engrossed by quill or plume (5)

Solution 8,657



LONDON STOCK EXCHANGE

MARKET REPORT

Early confidence undermined before the close

By Terry Byland, UK Stock Market Editor

An erratic trading session in UK equities, which at first benefited from favourable economic statistics on both sides of the Atlantic, saw share prices slipping away later when Wall Street reacted to further weakness in Mexican markets. London stocks were driven by the stock index futures sector and trading volumes remained moderate.

The FT-SE 100-share Index closed 11 points down at 3,049.4 after the Dow Average had also reversed an early gain to show a fall of around 21 points in London trading hours.

The UK market opened lower and was 18 Footsie points off in early deals as traders scanned the report on December's regular meeting between the UK chancellor of the exchequer and the governor of the Bank of England. But the mood brightened after disclosure of a 0.7 per cent fall in UK manufacturing output in November was seen as reducing pressures for further rises in UK base rates.

Shares quickly followed a strong lead from the government bond market and were then pushed very strongly ahead by a good premium on the FT-SE 100 futures contract. Some arbitrage dealing began, in which traders sold the futures contract and bought the underlying blue chip shares.

Backed up also by early hints of a strong opening on Wall Street, the London market moved sharply to a new peak for the day, with the Footsie showing a net rise of more than 14 points.

But Wall Street's early gain of more than 20 points was quickly checked when the Mexican market began to slide again, and the dollar reacted nervously to President Clinton's promises of support for the Mexican currency.

For stock markets, worry was also fuelled by expressions of concern over the potential implications of Latin American economic problems from Mr George Soros, the international investor.

These factors soon outweighed the generally favourable response to the US December consumer price index, which had shown a rise of only 0.2 per cent, thus encouraging hopes that the Federal Reserve might feel less need to push US interest rates higher.

In the London market, the reversal was equally sharp, with the premium on the stock index futures contract swiftly eroding and halting the arbitrage activity which had been driving share prices ahead earlier. Trading volume was still fairly restrained, although the total of shares dealt through the Seaq electronic network rose to 662.9m, from 529.9m in the previous session.

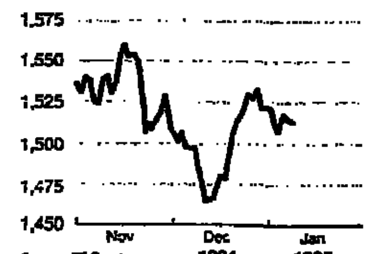
Traders commented that the erratic performance seen yesterday, when the Footsie moved through a range of around 1.5 per cent during the session, reflected the market's general uncertainty rather than any deep-seated concerns about Mexico.

Doubts regarding Christmas trade among the retailers were not cleared away by the interim trading statement from Dixons, the high street trader in electrical goods. And even the news that domestic industrial production appeared to be tailing off, while favourable for interest rate prospects, was hardly encouraging for the broader range of manufacturing stocks.

Most UK market strategists have predicted that the market will rise this year, with the first quarter likely to provide a good lead. Consequently, the sluggish performance from the retail sector has cast a shadow over market confidence.

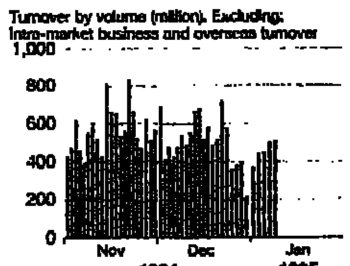
The mood of uncertainty was caught by a note on Global Strategy from Mr Nicholas Knight, the well-known bear at Nomura Securities. He warned that equities may be "collapsing simultaneously" as international investors flee from seemingly endangered markets and seek safe havens. His note ended with a grim warning that the losses sustained could accumulate and that a "day of reckoning" is very close to hand.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3049.4	-11.0
FT-SE Mid 250	3476.6	+4.8
FT-SE-A 350	1528.5	-3.7
FT-SE-A All-Share	1513.15	-3.41
FT-SE-A All-Share yield	4.03	(4.02)
FT Ordinary Index	2351.4	-1.8
FT-SE-A Non Fins p/e	17.86	(17.88)
FT-SE 100 Fut Mar	3064.0	-25.0
10 yr Gilt yield	8.80	(8.80)
Long gilt/equity yld ratio:	2.20	(2.21)

Best performing sectors

1 Life Assurance .... +2.1
2 Electronic & Elec .... +1.3
3 Household Goods .... +0.8
4 Telecommunications .... +0.8
5 Engineering, Vehicles .... +0.8

Worst performing sectors

1 Banks, Retail .... -2.1
2 Pharmaceuticals .... -1.9
3 Oil, Integrated .... -1.0
4 Mineral Extraction .... -0.8
5 Consumer Goods .... -0.8

Shell beats the trend

Oil major Shell Transport resisted the weakness among many of the more liquid internationally traded stocks as word leaked into the market that its link with Montedison had finally received US clearance.

The proposal to merge the chemical interests of the two companies was mooted over a year ago but encountered several hurdles. Yesterday, the last one, approval by the Federal Trade Commission, was cleared.

The new company is to be known as Montell Polyolefins and launched as soon as possible after March 1. It will account for 18 per cent of the world output of polypropylene, the plastic that goes into everything from car batteries to guttering. It is expected to have a turnover of around $3.3bn.

Mr John Toalster of SGST said: "Shell is a big company and it is rare for anything to happen that is big enough to impact it significantly. But this is a milestone for the group and could lead to big cost savings."

Shell was up 8 at best. Although the gain was eroded by the Wall Street-inspired falls later in the day, it closed 2 up at 701p. The stock was further supported by some switching out of BP, which is more directly exposed to the US and fell 10¼ to 414½p.

Banks unsettled

Concern that the banks' reporting season, which starts today with TSB, will produce gloomy prognoses for the coming year hit the sector and prompted a sprinkling of forecast downgrades.

TSB is expected to report a surge in full-year profits to between £485m and £500m, from £301m last time, but there are growing worries that the performance cannot be repeated.

Mr Martin Hughes of Credit Lyonnais Laing said: "There is a considerable differential in forecasts. Some analysts are predicting £675m for TSB for the coming year, but we think that is way too high. There is no growth and we do not see how they can make more than £530m." The shares declined 5 to 226p.

Elsewhere, Barclays shed 13 to 576p amid speculation that Kleinwort Benson had downgraded the stock. And National Westminster dropped 11½ to 476p as the shares were dragged down by Barclays. Lloyds, seen as most exposed to the slide in Latin American debt that has been prompted by the Mexican peso crisis, receded 15 to 540p.

Airways firm

British Airways improved 6 to 387p in 3m turnover, extending its outperformance against the All-share index over the past month to 4 per cent. One market whisper is that BA may be planning to bid for control of the 24 per cent-owned USAir in order to impose tougher management controls on the deeply troubled US airline.

BA faces potential write-off on its existing $400m investment should USAir go under. With the USAir share price near to $4 from a 1994 peak of $15, moving up to 51 per cent control would notionally cost BA around £50m.

Suggestions that United Biscuits was now ripe for a bid helped the shares recover some ground after an early slide.

The stock fell sharply at the start of the session after UB said 1994 profits are likely to be similar to 1993's £181.8m.

Several brokers moved to downgrade profit expectations, including Smith New Court which reduced its figure by £29m to £156m. The shares fell 11 but closed only 2 off at 319p.

Electronic goods retailer Dixons was a penny lower at 201p in heavy trading of 7.8m as traders took profits after the group announced an increase in earnings for the 28 weeks to November.

The shares had performed strongly ahead of the figures and one market specialist said, "there is nothing to go for now, its all in the price." Dealers also pointed out that Christmas trading had not reached expected levels.

US buying kept BT at the head of the Footsie activity charts with the shares advancing a further 5½ to 407½p. Salomon Brothers, Lehman Brothers and Goldman Sachs were said to be strongly in evidence, helping to boost turnover to 18m and extending the shares recent rally to more than 7 poer cent in four days.

British Gas, the butt of a clutch of recent BT switch recommendations and trailing by 4½ for most of the day, showed signs of clawing back to equilibrium, closing only fractionally lower at 307p in 6.6m turnover.

Rumours that Cadbury Schweppes was about to launch a $32 a share bid for US group Dr Pepper in which it has a 24 per cent stake returned to the market, causing a retreat in the UK group's shares. They fell 7½ to 430½p after trade of 2.4m.

Burmah rose 6 to 846p as broker Cazenove was said to have been handling a large buy order from one of its clients. Speculation circulated that the group might offload parts of its speciality chemicals arm.

Heavyweight pharmaceuticals were sharply lower from the start of trading in London as traders reacted to heavy selling in New York on Tuesday night. US investors have been strong buyers of the sector and they seized the opportunity to pocket their profits. Glaxo led the way with a fall of 18 to 674p, Wellcome fell 14 to 685p and SmithKline Beecham 8 to 461p.

Troubled advertising agency Saatchi & Saatchi declined further as four more senior executives resigned. Shortly afterwards Mr Maurice Saatchi, the ousted founder, said he was setting up a rival agency, a move that is bound to cast doubt over Saatchi & Saatchi's ability to retain some of its heavyweight accounts. The shares, which had recovered slightly from its recent falls, slid back to close 4½ off at 107½p.

Food manufacturing group Associated British Foods raced 11 ahead to 585p, after NatWest Securities turned more positive.

Having tumbled 16 on Monday on talk of a large line of stock on offer, motor components engineer GKN rebounded strongly, helped by a buy recommendation from S.G. Warburg. In modest 2.1m turnover the shares rose 13 to 580p.

British Steel continued to lose ground dipping 3¼ to 144½p, against 153p in the middle of last week.

Composite and life insurers were powerful performers as they responded to a recommendation from Robert Fleming.

The house recommended Legal & General and London & Manchester. Legals gained 16 to 447p while London & Manchester Group firmed 3p to 308p.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown, Natasha Giannousi.

■ Other statistics, Page 22

NEW HIGHS AND LOWS FOR 1994/95

NEW HIGHS (20).
DISTRIBUTORS (2) Finelist, Hartons 7pc Prf., DIVERSIFIED INDLS (1) Hawtin, ELECTRNC & ELECT EQUP (4) Filtronic Comtek, Hewlett-Packard, Motorola, TLG, ENG. VEHICLES (3) ERF, First Technology, Irish Permanent, FOOD PRODUCERS (1) Carr's Milling, INVESTMENT TRUSTS (2) LEISURE & HOTELS (3) Northern Leisure, Do Cnv. 98/01, St James Beach Hotel, OIL EXPLORATION & PROD (1) Kelt Energy, OTHER SERVS & BUSNS (1) Waste Recycling, SUPPORT SERVS (1) Black & Edgington, WATER (1) South Staffs.
NEW LOWS (149).
OTHER FIXED INTEREST (1) Ireland Cap 8½pc Ln. 2010, BANKS, RETAIL (2) HSBC, Royal Bank of Scotland, BUILDING & CNSTRN (3) Amey, Costain, Utility Cable, BLDG MATLS & MCHTS (2) Anglian, Lilleshall, DISTRIBUTORS (3) Evans Halshaw, Perry, Quicks, DIVERSIFIED INDLS (2) Hanson 9½pc Bd., Hutch Whmp., ELECTRNC & ELECT EQUP (3) Channel, CrayElctronic, Kenwood, ENGINEERING (3) Molins, Vickers, Wagon Ind 7.25p Prf., ENG. VEHICLES (1) T&N, EXTRACTIVE INDS (4) Bakyrchik, Blyvoor, Hartebeest, RTZ, FOOD PRODUCERS (1) Pokphand (CP), HEALTH CARE (1) Biotrace Intl., INSURANCE (1) Lloyd Thompson, INVESTMENT TRUSTS (90) INVESTMENT COMPANIES (5) LEISURE & HOTELS (1) Priam, MEDIA (2) Caledonian Media Comms., News Corp, OIL EXPLORATION & PROD (1) Stirling Resources, OIL, INTEGRATED (1) Santos, OTHER FINANCIAL (2) Secure Trust, Swire Pacific A, PROPERTY (10) Anglo St. James, Bourne End, Burford, Creston Land, Davies (DY), Debenham Tewson & Chinnocks, McKay Secs., Molyneux Ests., Mucklow (A&J), Wood (JD) & Co., RETAILERS, FOOD (2) M & W, Nurdin & Peacock, RETAILERS, GENERAL (4) Fine Art Devs., Liberty, Lloyds Chemists 7.5p Prf., Pentos, SUPPORT SERVS (1) Sketchley, TEXTILES & APPAREL (2) Alexandra Workwear, Strong & Fisher, CANADIANS (1) BCE.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures had a roller-coaster day, with the FT-SE 100 March contract swinging about wildly within a trading range of more than 40 points in volume which dealers described as reasonable at best, *writes Jeffrey Brown.*

The market was in a viciously erratic mood. The March contract opened at 3,075, fell to 3,060, bounced to 3,103 and finally sank back to 3,064 at the end of pit trading, down 22 points on the day.

At its peak around 2.30pm the premium to cash was more than 30 points. It was 13 points at the official close.

Dealers' estimates for fair value range between 10 and 15 points.

Volume topped 13,000 contracts (up from 10,600 on Tuesday), but there was very little genuine business, with the main weight of trading forming from intra-market operations as the March contract whiplashed from one extreme to the other.

Concern about recent lack of direction came into sharper focus, but the main agent of the volatility was the setback on Wall Street in the final hour of London trading in the face of escalating worries about Mexico.

The high level of uncertainty led to a dramatic upsurge in option business. Amid often intense position taking, total business jumped to 41,646 lots from Tuesday's 33,167. FT-SE and Euro FT-SE trading accounted for just 13,500 lots. Individual options dominated the session, notably British Steel with 4,297 contracts dealt, including 2,500 of puts pushed through by UBS.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3076.0	3064.0	-22.0	3103.0	3059.0	14812	55191
Jun	3102.0	3075.5	-23.0	3105.5	3102.0	309	3643
Sep		3099.0	-24.0			0	20

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3490.0	3490.0	-10.0	3490.0	3490.0	20	3965

■ FT-SE 100 INDEX OPTION (LIFFE) (*3052) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Jan	[illegible]															
Feb	[illegible]															
Mar	[illegible]															
Apr	214½	52½	178½	68	148½	85	119	105	94	131½	72½	162½	52½	195	35½	225½
Jun†	237	67½			175	104			122½	150½			79	208		

Calls 4,049 Puts 7,230

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Jan	179½	1½	131	2	85	6	46	17	18½	39½	5	76	1½	122	1	171
Feb	197½	9	155	15½	117	27½	84	44	58½	68½	36	94½	28	129	11	169½
Mar	269½	22½	171	33½	135½	47½	104½	65½	77½	88	55	115½	37½	147	24	183½
Jun			224	17½			183½	114			113	161			73	218½
Sept†			287	100			208½	137½			158	183			118	238½

Calls 2,120 Puts 624 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

FT - SE Actuaries Share Indices — The UK Series

	Jan 11	Day's chge%	Jan 10	Jan 9	Jan 6	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. yld	Total Return
FT-SE 100	3049.4	-0.4	3060.4	3055.8	3065.0	3372.0	4.23	7.28	16.21	1.93	1164.99
FT-SE Mid 250	3476.6	+0.1	3471.8	3477.1	3479.6	3864.6	3.64	6.22	19.18	2.61	1310.87
FT-SE Mid 250 ex Inv Trusts	3487.9	+0.2	3481.1	3485.9	3487.1	3866.8	3.78	6.72	17.89	2.62	1313.24
FT-SE-A 350	1528.5	-0.2	1532.2	1531.0	1534.8	1692.3	4.09	7.04	16.81	1.01	1194.97
FT-SE-A 350 Higher Yield	1564.8	......	1565.0	1559.0	1561.3	1712.7	5.08	7.47	15.99	1.45	1005.62
FT-SE-A 350 Lower Yield	1492.1	-0.5	1499.3	1502.7	1507.9	1629.5	3.07	6.59	17.74	0.58	983.90
FT-SE SmallCap	1742.00	......	1741.85	1744.09	1745.68	1930.59	3.31	6.32	19.38	0.81	1362.23
FT-SE SmallCap ex Inv Trusts	1720.26	+0.1	1719.20	1720.46	1720.40	1892.97	3.51	7.07	17.52	0.88	1349.84
FT-SE-A ALL-SHARE	1513.15	-0.2	1516.56	1515.59	1519.14	1675.86	4.03	6.98	16.99	0.98	1203.02

■ FT-SE Actuaries All-Share

	Jan 11	Day's chge%	Jan 10	Jan 9	Jan 6	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. yld	Total Return
10 MINERAL EXTRACTION(25)	2641.98	-0.8	2664.23	2665.58	2679.31	2583.81	3.56	5.13	24.65	0.00	1065.62
12 Extractive Industries(7)	3589.40	-0.3	3599.49	3651.75	3669.18	3835.20	3.38	6.42	22.80	0.00	990.47
15 Oil, Integrated(3)	2632.03	-1.0	2658.65	2653.02	2668.72	2517.27	3.70	5.71	21.82	0.00	1086.92
16 Oil Exploration & Prod(15)	1871.47	-0.4	1878.31	1872.07	1868.93	1884.87	2.61	‡	‡	0.00	1062.80
20 GEN INDUSTRIALS(279)	1842.30	+0.3	1837.84	1835.31	1837.00	2084.12	4.22	5.76	20.74	0.21	947.73
21 Building & Construction(36)	963.38	+0.4	959.92	961.66	984.73	1349.50	4.03	6.34	20.64	0.00	760.65
22 Building Matls & Merchs(32)	1758.61	+0.6	1748.00	1761.67	1766.77	2250.12	4.25	6.17	19.54	0.00	836.96
23 Chemicals(25)	2265.23	-0.1	2268.83	2264.06	2260.88	2336.81	4.17	4.79	25.90	0.50	1012.34
24 Diversified Industrials(16)	1806.55	+0.1	1804.69	1795.29	1790.85	2027.16	5.19	6.30	18.31	0.00	935.39

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	273	336	
ASDA Group†	5,400	66¾	+¼
Abbey National†	3,300	428	-4
Albert Fisher	95	46	
Allied Domecq†	2,800	539	-6
Anglian Water	218	499	
Argos	167	342	-2
Argyll Group†	2,700	260	+3
Arjo Wiggins†	1,100	242	+3
Assoc. Brit. Foods†	1,800	585	+11

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Domecq	500	39½	52½	61	-	5½	12
(*539)	550	2	20½	31	13	23	33

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Hanson	220	21½	24	27½	½	3½	7
(*239)	240	6½	11½	15½	6	11	15

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	53	11	6
Other Fixed Interest	2	1	11
Mineral Extraction	49	63	83
General Manufacturers	131	110	387
Consumer Goods	33	49	102
Services	72	90	330
Utilities	20	14	8
Financials	70	99	194
Investment Trusts	38	140	282
Others	43	46	28
Totals	511	623	1431

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	January 6	Expiry	April 6
Last Dealings	January 20	Settlement	April 24

Calls: Aero Hamble, CRP Leisure, Cementone, Middlesex Hld, Tullow Oil, Proteus, Raine, Regent Corp, Saatchi & Saatchi, Shoprite, Tullow Oil, West Trust. Puts: Aero Hamble, Tullow Oil. Puts & Calls: Eurotunnel, Seeboard.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	4.99	99	90½	Asset Man Inv	99		-	-	-	-
-	F.P.	4,210.5	259	245½	BSkyB	245½		N-	-	-	46.2
-	F.P.	38.4	64	43	Brit Assets Gth	62½	+½	-	-	-	-
-	F.P.	1.63	6½	5½	Cale. Media Wrts	5½		-	-	-	-
-	F.P.	69.3	173	133	Clydeport	168		RN3.51	-	2.6	-

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 2nd Pf £		99¼	+¼	117	88¼	12.1	10.3	-
9¼pc Non-Cum Pf		116¼	+½	137½	107	46.7	10.4	-
Cater Allen	‡†N□	485	+5	*630¼	443	148.3	7.8	9.4
Close Bros	‡N	225	—	*285½	203	214.2	4.2	10.2
Gerrard & Nat	‡†N□	490	+4	518	395	238.6	6.1	14.7
Hambros	‡N□	248	-1	473	209	434.2	7.6	15.1
7½pc Cr Pf		108	—	191	99½	140.4	8.6	-
Joseph (L)	‡†N	398	—	443	338	20.9	5.5	11.6
King & Shaxson	‡N	103xd	—	178	103	17.8	10.3	10.2
Kleinwort Benson	‡†N□	533	-½	683	424	711.0	4.5	9.4
Rea Bros	‡†N□	66	—	79	53	26.0	1.8	18.5
Schroders	‡†N□	1445	+5	1574	1050	1,445	1.6	13.2
N/V	†N	1310	+2	1458	1043	378.9	1.8	12.0
Singer & Fried	‡†N□	85½	—	114	75	165.0	4.6	11.0
Union	‡†N□	82	—	*199	87	24.5	6.1	8.5
Warburg (SG)	‡N□	670	-13	1012	589	1,474	4.1	12.3
Wintrust	‡N	215	—	398	203	18.2	6.0	14.4

BANKS, RETAIL

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£22⅜	-¼	£25½	£19⅞	6,873	5.0	ϕ
ANZ A$		203	-1	278¾	171	2,701	6.1	ϕ
Abbey National	†N□	428	-4	523	380½	6,615	4.5	14.4
Allied Irish I£	‡†N□	268	-1	314	233	1,786	4.7	10.3
Anglo Irish I£	N□	54xd	—	*70	50	185.8	8.2	9.9
Asahi Y	□	738	+15½	819¼	628	17,135	0.6	ϕ
Banco Bil Viz Pta	□	£15⅟₁₆	-⅛	£17	£14½	3,479	5.5	6.7
Banco Sant Pta		£24	—	*£30½	£23¾	3,627	6.0	8.4
Bk Ireland I£	†N□	300	+2	*319	246	1,423	4.8	8.7
Bank Scotland	‡†N□	187	-2	247	172½	2,302	3.4	11.1
9¼pc Pf		116¼	+¼	141½	106	116.8	9.9	-

BUILDING MATS. & MERCHANTS - Cont.

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Shaw (A)	‡‡†N	25xd	—	*29¾	14	8.78	2.9	5.4
Spring Ram	‡WN□	39½	+½	*81½	39	179.8	1.6	-
Sycamore	□	22	—	*425	18	0.74	-	-
Tarmac	N□	138	+1	206	113	1,069	5.9	-
Tilon	‡N	159xd	—	229	157	17.4	3.5	ϕ
Travis Perkins	†N□	284	—	370	274	291.7	3.7	17.5
Tudor	‡N	24	—	28	21	2.42	1.3	-
Unigroup	□	38	—	54	33	11.3	-	-
Universal Ceramic	LN□	86	—	105	86	21.1	4.9	13.4
Waterhouse	‡	43	—	63	33	1.07	-	-
Wickes	†N□	89	—	129	87	330.9	1.8	20.0
Wolseley	‡N□	771xd	+5	975	705	2,120	2.7	15.2

CHEMICALS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
AGA SKr	□	85¼	-¾	*£7⅜	£4⅜	622.2	14.8	2.8
Akzo Fl	□	£74¼	-⅞	£82¼	£62⅜	3,427	3.2	19.2
Allied Colloids	†N□	122xd	—	*158½	115½	642.7	2.5	17.2
Amber Ind	†N	780xd	—	780	705	30.5	3.4	15.5
BASF DM	□	£129⅜	+⅜	£140⅜	£108⅝	7,563	3.7	-
BOC	‡N□	722xd	-3	767	627	3,451	4.3	25.7
BTP	‡†N□	306xd	—	*373	281	414.0	4.2	17.3
Bayer DM	□	£146⅝	-⅜	£160⅞	£129⅞	8,798	3.1	-
Brent	N□	108	—	131	98	73.0	4.6	-
British Vita	†N□	225	—	309	219	480.1	4.2	16.7
Cambridge Iso S	‡	38	-2	46	18	4.97	-	-
Canning (W)	‡N□	185	—	199	153	92.4	4.9	31.3
Cementone	‡N	44	—	109	44	9.65	7.7	5.9
Warrants		15	—	48	15	0.13	-	-
Courtaulds	†N□	482xd	—	580	420	1,821	4.1	30.8
Croda	†N□	383	-4	389	327	480.2	2.9	15.8

هكذا من الأصل

LONDON SHARE SERVICE

SOUTH AFRICANS

	Notes	Price	+ or –	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£33	.....	£34	£13½	2,152	2.2	24.2
Barlow	♣	£5⅞xd	–⅛	£5¼	£3⅞	1,042	1.9	18.3
Gold Flds Prop R		140xd	–12	152	75	14.3	7.8	ϕ
NK Props		85	.....	98	85	3.42	14.3	–
SASOL	♥	501	–19	582	380	2,890	2.8	–
SA Brews	†	£14⅞	–⅛	£16⅞	£10	3,977	2.1	22.0
Tiger Oats		788xd	.....	838	538	1,185	2.0	18.2
Tongaat-Hulett	†h	704	.....	*725	356¼	841.8	2.1	20.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend states appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4 2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Figures based on MAR 'Headline Earnings.' P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code **FT2758.** Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

طبق الأصل

هكذا منه لأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Credis Investment Funds - Contd.				
[illegible]				
Pacific Basin Growth Fund				
NAV A Shs		$9.11	+0.04	-
NAV B Shs		$10.08	+0.07	-
Rosenberg Global Mngt Co SA (u)				
Rosenberg Alpha Fund Global				
Portfolio A : NAV		$11.84	+0.04	-
Portfolio B : NAV		$14.38	+0.09	-
Rosenberg Management SA (u)				
Rosenberg Alpha Fund Yield				
Portfolio A: NAV		$10.35		-
Portfolio B: NAV		$15.28	+0.08	-
Rosenberg US Japan Mngmt Co SA (u)				
Rosenberg Alpha Fund US Japan				
Portfolio A: NAV		$10.79	+0.02	-
Portfolio B: NAV		$13.08	+0.07	-
Edmond de Rothschild Group				
[illegible]				
Century Life International				
Rue Du Commerce, St Peter Port, Guernsey 0481 727066				
Exchange rate at Valuation Day US$1.6030				
[illegible]				
Eagle Star Intl Life				
Eagle Star Hse, Athol St, Douglas, IoM 0624 662268				
[illegible]				
* Prices quoted are Sterling equivalent.				
Alliance Capital				
[illegible]				
Allied Dunbar International Fund Mngrs (1600)F				
ADI Emerging Asia	$0.7554	0.8073	-0.0105	-
Alpha Fund Management Ltd				
[illegible]				
Wellington Fd Mngrs (Bermuda) Ltd				
Intl Growth Fd	$14.71	15.44	-0.22	-
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)		$12.38		-
Wells Fargo B Shs (z)		$13.20		-
Worldwide Limited				
NAV Nov 30		$83.14	-	-
Xiphias International Investment Fd Ltd				
Xiphias Global Growth		$9.93	-	-
[illegible]		Ecu1.[illegible]	-	-
[illegible]		Ecu1.[illegible]	-	-
Yamaichi Capital Management (Guernsey) Ltd				
Thai Inv Fund		$71 60	-	-

[illegible]

OFFSHORE INSURANCES

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LUXEMBOURG

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(✦) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(●) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
k - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
§§ - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision.
‡ - Only available to charitable bodies
Φ - Yield column shows annualised rates of NAV increase.
xd - Ex-dividend.

CURRENCIES AND MONEY

MARKETS REPORT

Euro currencies remain under pressure

Foreign exchange markets paused for breath yesterday following the turbulence which shook European and Latin American currencies on Tuesday, *writes Motoko Rich.*

A lack of fresh news prevented further slides in the Italian lira, Spanish peseta and Swedish krona but the D-Mark remained robust.

The dollar fell after Mr Bill Clinton, US president, directed the Treasury department to continue helping Mexico during its financial crisis.

Foreign exchange traders appeared disappointed by a lower-than-expected US consumer price index, and subdued forecasts of a substantial interest rate rise.

At the close of London trading, the dollar finished at DM1.5354 against the D-Mark, from DM1.5341 and against the yen at Y99.87, from Y100.26.

UK industrial production figures also undershot expectations, prompting a rally in the short sterling futures markets.

The Thai baht, along with other Asian currencies, came under pressure amid general negative sentiment towards emerging or risky markets.

■ Investors pulled back the peseta and the lira from Tuesday's record lows and allowed the Swedish krona to improve against the D-Mark.

Mr Jeremy Hawkins, senior economic adviser at Bank of America, said: "This does not change the underlying market sentiment. Investors are still worried about the performance of the less well converged economies and we may see some of these currencies moving lower against the D-Mark."

However the peseta rose to Pta86.55 against the D-Mark, finishing in London at Pta86.94

■ **Pound in New York**

Jan 11	Latest	Prev. close
£ spot	1.5570	1.5620
1 mth	1.5568	1.5617
3 mth	1.5568	1.5615
1 yr	1.5559	1.5600

against the D-Mark.

The lira closed at L1060 against the D-Mark, from L1059, though higher than its record low of L1062.

The Swedish krona finished at SKr4.887, down from Skr4.885 against the D-Mark, but up from its trading low of SKr4.9150 on Tuesday.

■ Mr Bill Clinton said he had instructed the Treasury, working with the Federal Reserve, to "continue to take appropriate steps to help Mexico get through these short-term financial pressures".

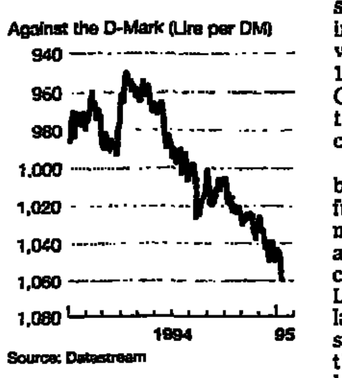
Following the president's comments, the peso strengthened against the dollar, which also came under selling pressure against other currencies.

The Mexican peso closed in London at 5.625 pesos to the dollar, from 5.75 pesos.

Mr Burke said: "Mr Clinton's *comments give an indication* that the US is uncomfortable with a strong currency."

Investors were also worried

Lira



Source: Datastream

that the December consumer price index - which rose 0.2 per cent, below expectations of a 0.3 per cent rise - would influence the US Federal Reserve to raise interest rates less than the markets are hoping for when at the end of the month. *Such anxieties pushed the dollar* down in late trading.

■ Dampened interest rate expectations also featured in *short sterling futures* as UK industrial production fell a provisional, seasonally adjusted 1.0 per cent in November from October, below market expectations that output growth would continue its recent surge.

The March contract rose 14 basis points to settle at 92.90, from 92.76, showing that the market was now discounting an interest rate rise to 7.10 per cent in March. Mr Jonathan Loynes, UK economist at Midland Bank, said: "These rates still seem a little bit high but the figures helped to ease higher interest rate fears."

The pound was little affected by the figures, closing in London at DM2.3957 from DM2.3934 against the D-Mark and $1.5603 against the dollar from $1.5602.

■ The Bank of Thailand denied rumours of a devaluation in the baht, as it came under pressure on the back of Mexico's financial woes. Analysts said this was unjustified because of Thailand's strong economic fundamentals.

The Indonesian rupiah fell to Rp2,207 to the dollar from Rp2,194 at the end of last week, following last week's budget which showed the country's foreign debt would exceed $100bn this year.

The Hong Kong dollar slipped to around *HK$7.766* against the US dollar, from HK$7.72 at the end of last week, amid worries about China and the Hong Kong property market.

■ In the UK money markets, the Bank of England cleared a shortage of £850m at established rates. Overnight rates traded between 7 and 5¼ per cent.

■ **OTHER CURRENCIES**

Jan 11	£	$
Hungary	176.623 - 176.847	113.320 - 113.320
Iran	2727.40 - 2730.53	1748.00 - 1750.00
Kuwait	0.4671 - 0.4674	0.2994 - 0.2995
Poland	3.7939 - 3.7985	2.4329 - 2.4340
Russia	5902.61 - 5907.29	3783.00 - 3788.00
U.A.E.	5.7297 - 5.7324	3.6729 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Jan 11		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8583	-0.0147	511 - 654	16.9144	16.8508	16.8445	1.0	16.8039	1.3	-	-	116.2
Belgium	(BFr)	49.3757	-0.0187	522 - 992	49.4940	49.2810	49.3357	1.0	49.2207	1.3	48.5807	1.6	117.9
Denmark	(DKr)	9.4500	+0.0134	458 - 541	9.4706	9.4318	9.4518	-0.2	9.4445	0.2	9.4199	0.3	117.2
Finland	(FM)	7.3998	-0.0341	925 - 071	7.4770	7.3920	-	-	-	-	-	-	89.0
France	(FFr)	8.2784	+0.005	758 - 810	8.2982	8.2678	8.2761	0.3	8.2696	0.4	8.2075	0.9	110.6
Germany	(DM)	2.3957	+0.0023	946 - 968	2.4053	2.3937	2.3936	1.1	2.3879	1.3	2.3521	1.8	127.8
Greece	(Dr)	372.600	-0.12	372 - 827	373.472	372.216	-	-	-	-	-	-	-
Ireland	(I£)	1.0099	+0.0017	092 - 106	1.0118	1.0074	1.0097	0.2	1.0099	0.0	1.0092	0.1	104.9
Italy	(L)	2539.16	+4.07	789 - 042	2544.04	2535.91	2543.91	-2.2	2553.56	-2.3	2596.56	-2.3	72.4
Luxembourg	(LFr)	49.3757	-0.0187	522 - 992	49.4940	49.2810	49.3357	1.0	49.2207	1.3	48.5807	1.6	117.9
Netherlands	(Fl)	2.6871	+0.0029	862 - 880	2.6954	2.6849	2.6849	1.0	2.6787	1.3	2.6395	1.8	121.5
Norway	(NKr)	10.5055	+0.0197	011 - 099	10.5298	10.4754	10.5049	0.1	10.5039	0.1	10.4956	0.1	86.7
Portugal	(Es)	247.308	-0.288	104 - 511	247.738	244.828	248.128	-4.0	249.603	-3.7	-	-	-
Spain	(Pta)	208.331	-0.113	213 - 449	209.051	207.968	208.686	-2.0	209.411	-2.1	212.561	-2.0	83.0
Sweden	(SKr)	11.7116	+0.0192	025 - 206	11.7542	11.6786	11.7286	-1.7	11.7571	-1.6	11.8676	-1.3	74.8
Switzerland	(SFr)	2.0089	+0.0043	077 - 101	2.0146	2.0037	2.0051	2.3	1.9973	2.3	1.9477	3.0	123.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.3
Ecu	-	1.2659	+0.0003	654 - 664	1.2689	1.2653	1.2656	0.3	1.2653	0.2	1.2573	0.7	-
SDR†	-	0.935140	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5606	+0.0002	602 - 609	1.5635	1.5602	-	-	-	-	-	-	-
Brazil	(R)	1.3294	+0.0048	276 - 312	1.3335	1.3248	-	-	-	-	-	-	-
Canada	(C$)	2.2051	-0.0014	043 - 059	2.2088	2.2028	2.2053	-0.1	2.2068	-0.3	2.2177	-0.6	83.8
Mexico	(New Peso)	8.7767	-0.1942	580 - 954	8.9114	8.6570	-	-	-	-	-	-	-
USA	($)	1.5603	+0.0001	600 - 606	1.5635	1.5600	1.5601	0.2	1.5601	0.1	1.5597	0.0	63.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0298	-0.005	286 - 310	2.0333	2.0280	2.0327	-1.7	2.0394	-1.9	2.0761	-2.3	-
Hong Kong	(HK$)	12.1173	+0.009	142 - 204	12.1395	12.1075	12.0863	3.1	12.1488	-1.0	12.0618	0.5	-
India	(Rs)	48.9369	-0.0011	218 - 521	49.0380	48.9210	-	-	-	-	-	-	-
Japan	(Y)	155.827	-0.594	766 - 888	156.440	155.540	155.297	4.1	154.252	4.0	148.307	4.8	187.9
Malaysia	(M$)	3.9851	+0.0009	835 - 868	3.9935	3.9832	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4346	-0.0022	322 - 369	2.4369	2.4322	2.4404	-2.9	2.4513	-2.7	2.4858	-2.1	-
Philippines	(Peso)	38.1494	+0.0037	300 - 688	38.4700	37.8259	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8526	+0.001	511 - 540	5.8642	5.8510	-	-	-	-	-	-	-
Singapore	(S$)	2.2664	+0.0026	651 - 676	2.2699	2.2642	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5028	-0.019	006 - 050	5.5321	5.5003	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5065	+0.0396	896 - 233	6.5333	6.4875	-	-	-	-	-	-	-
South Korea	(Won)	1232.72	-1.44	240 - 303	1235.48	1232.16	-	-	-	-	-	-	-
Taiwan	(T$)	41.0835	+0.0215	717 - 953	41.1669	41.0695	-	-	-	-	-	-	-
Thailand	(Bt)	39.1792	-0.0165	560 - 023	39.2440	39.1470	-	-	-	-	-	-	-

†SDR rates for Jan 10. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100 Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 11		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.8045	-0.0105	020 - 070	10.8205	10.7810	10.797	0.8	10.7805	0.9	10.683	1.1	105.2
Belgium	(BFr)	31.6450	-0.015	360 - 540	31.6700	31.5400	31.625	0.8	31.56	1.1	31.24	1.3	106.8
Denmark	(DKr)	6.0565	+0.008	550 - 580	6.0585	6.0371	6.0572	-0.1	6.059	-0.2	6.0435	0.2	106.1
Finland	(FM)	4.7426	-0.0222	368 - 483	4.7851	4.7313	4.7403	0.6	4.7356	0.6	4.7151	0.6	82.6
France	(FFr)	5.3057	+0.0027	050 - 063	5.3295	5.2915	5.3049	0.2	5.3009	0.4	5.2657	0.8	106.7
Germany	(D)	1.5354	+0.0013	350 - 358	1.5350	1.5318	1.5342	0.9	1.5307	1.2	1.5087	1.7	108.3
Greece	(Dr)	238.800	-0.1	700 - 900	239.900	238.150	241.3	-12.6	245.55	-11.3	262.3	-9.8	68.6
Ireland	(I£)	1.5451	-0.0025	443 - 458	1.5506	1.5443	1.5453	-0.1	1.5448	0.1	1.5451	0.0	-
Italy	(L)	1627.35	+2.45	685 - 785	1628.60	1623.50	1630.75	-2.5	1636.85	-2.3	1665.85	-2.4	72.9
Luxembourg	(LFr)	31.6450	-0.01	360 - 540	31.6700	31.5400	31.625	0.8	31.56	1.1	31.24	1.3	106.8
Netherlands	(Fl)	1.7222	+0.0017	219 - 224	1.7244	1.7182	1.7209	0.9	1.7171	1.2	1.6934	1.7	108.5
Norway	(NKr)	6.7330	+0.012	315 - 345	6.7355	6.7064	6.7293	0.7	6.7235	0.6	6.673	0.9	90.9
Portugal	(Es)	158.500	-0.2	400 - 600	158.600	156.700	159.075	-4.4	160.125	-4.1	163.625	-3.2	95.4
Spain	(Pta)	133.520	-0.085	470 - 570	133.750	133.040	133.765	-2.2	134.235	-2.1	136.37	-2.1	78.2
Sweden	(SKr)	7.5060	+0.0116	016 - 103	7.5227	7.4711	7.5173	-1.8	7.5365	-1.6	7.6135	-1.4	79.9
Switzerland	(SFr)	1.2875	+0.0026	870 - 880	1.2890	1.2820	1.2852	2.2	1.2804	2.2	1.2515	2.8	108.7
UK	(£)	1.5603	+0.0001	600 - 606	1.5635	1.5600	1.5601	0.2	1.5601	0.1	1.5597	0.0	87.6
Ecu	-	1.2326	-0.0002	323 - 328	1.2351	1.2320	1.2328	-0.2	1.2331	-0.1	1.2396	-0.6	-
SDR†	-	1.46097	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	-	001 - 002	1.0001	1.0002	-	-	-	-	-	-	-
Brazil	(R)	0.8520	+0.003	510 - 530	0.8530	0.8480	-	-	-	-	-	-	-
Canada	(C$)	1.4133	-0.001	130 - 135	1.4135	1.4097	1.4134	0.0	1.4147	-0.4	1.4229	-0.7	80.6
Mexico	(New Peso)	5.6250	-0.125	500 - 000	5.7500	5.6000	5.626	-0.2	5.6278	-0.2	5.6352	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3009	-0.0033	004 - 014	1.3032	1.3004	1.3016	-0.7	1.3034	-0.8	1.3162	-1.2	90.8
Hong Kong	(HK$)	7.7660	+0.005	655 - 665	7.7683	7.7600	7.764	0.3	7.7628	0.2	7.7705	-0.1	-
India	(Rs)	31.3638	-0.0037	600 - 675	31.3700	31.3600	31.4338	-2.7	31.5788	-2.7	-	-	-
Japan	(Y)	99.8700	-0.39	500 - 900	100.230	99.5300	99.54	4.0	98.87	4.0	95.115	4.8	148.1
Malaysia	(M$)	2.5540	+0.0002	535 - 545	2.5553	2.5525	2.551	1.4	2.5485	1.2	2.5745	-0.8	-
New Zealand	(NZ$)	1.5603	-0.0016	591 - 615	1.5615	1.5586	1.5612	-0.7	1.5637	-0.9	1.5727	-0.8	-
Philippines	(Peso)	24.4500	-	500 - 500	24.6500	24.2500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7509	+0.0002	507 - 511	3.7511	3.7507	3.7544	-1.1	3.7613	-1.1	3.7759	-0.7	-
Singapore	(S$)	1.4525	+0.0015	520 - 530	1.4530	1.4495	1.451	1.3	1.4475	1.4	1.431	1.5	-
S Africa (Com.)	(R)	3.5268	-0.0125	260 - 275	3.5335	3.5265	3.5423	-5.3	3.5744	-5.4	3.7303	-6.0	-
S Africa (Fin.)	(R)	4.1700	+0.025	600 - 800	4.1800	4.1600	4.198	-3.1	4.2425	-7.0	4.48	-7.4	-
South Korea	(Won)	790.050	-1	000 - 100	790.600	790.000	793.05	-4.6	796.55	-3.3	815.05	-3.2	-
Taiwan	(T$)	26.3305	+0.0112	280 - 330	26.3375	26.3250	26.3505	-0.9	26.3905	-0.9	-	-	-
Thailand	(Bt)	25.1100	-0.013	000 - 200	25.1000	25.0950	25.1395	-1.4	25.2305	-1.9	25.635	-2.1	-

†SDR rate for Jan 10. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 10. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 11	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅜	5¾	5⅞	6¼	7.40	4.50	-
week ago	5¼	5⅜	5½	5⅝	6⅛	7.40	4.50	-
France	5⅜	5⅝	5⅞	6¼	6⅝	5.00	-	6.40
week ago	5⅝	5⅝	6⅛	6⅜	7	5.00	-	6.75
Germany	4.88	5.00	5.10	5.35	5.80	6.00	4.50	4.85
week ago	4.90	5.00	5.20	5.40	5.85	6.00	4.50	4.85
Ireland	5½	5⅝	6¼	6⅞	7⅛	-	-	6.25
week ago	5½	5⅝	6½	6⅞	7½	-	-	6.25
Italy	8½	8⅞	9⅜	9⅞	10⅜	-	7.50	8.20
week ago	8½	8⅞	8⅞	9⅞	10⅜	-	7.50	8.20
Netherlands	4.84	5.12	5.18	5.40	5.95	-	5.25	-
week ago	4.84	5.12	5.26	5.51	5.98	-	5.25	-
Switzerland	3½	3⅞	4	4¼	4⅝	6.625	3.50	-
week ago	3½	3⅞	4⅛	4½	4⅞	6.625	3.50	-
US	5⅝	5⅞	6⅜	6⅞	7⅜	-	4.75	-
week ago	5⅝	5⅞	6¼	6⅞	7⅜	-	4.75	-
Japan	2¼	2¼	2¼	2⅜	2½	-	1.75	-
week ago	2⅛	2¼	2¼	2½	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	6⅜	6⅞	7⅜	-	-	-
week ago	-	5⅞	6⅛	7	7⅞	-	-	-
US Dollar CDs	-	5.71	6.16	6.69	7.45	-	-	-
week ago	-	5.71	6.26	6.78	7.58	-	-	-
SDR Linked Ds	-	4.56	4.94	5.25	5.69	-	-	-
week ago	-	4⅝	4⅞	5⅜	5¾	-	-	-

ECU Linked Ds mid rates: 1 mth: 5½; 3 mths: 6¼; 6 mths: 6½; 1 year: 7⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 11	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	5 - 4⅞	5 5/16 - 5 3/16	5 13/16 - 5 11/16	5 15/16 - 5 13/16	6 3/16 - 6 1/16
Danish Krone	5¼ - 5	5⅝ - 5⅜	5¾ - 5½	6⅛ - 5⅞	6½ - 6¼	7⅛ - 6⅞
D-Mark	4⅞ - 4¾	4 31/32 - 4 27/32	4 31/32 - 4 27/32	5 1/16 - 4 15/16	5⅜ - 5¼	5 13/16 - 5 11/16
Dutch Guilder	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5⅜ - 5¼	5½ - 5⅜	6 - 5⅞
French Franc	5⅝ - 5⅜	5 9/16 - 5 7/16	5⅝ - 5½	6 - 5⅞	6½ - 6⅜	7 - 6⅞
Portuguese Esc.	8¾ - 8½	9¼ - 9	10¼ - 10	11 1/16 - 10 13/16	12 - 11½	12¼ - 11¾
Spanish Peseta	8 5/16 - 8 3/16	8 7/16 - 8 5/16	8 13/16 - 8⅝	9 5/16 - 9⅛	9 13/16 - 9⅝	10⅞ - 10⅝
Sterling	5¾ - 5½	5⅞ - 5⅝	6¼ - 6⅛	6 9/16 - 6 7/16	6 13/16 - 6 11/16	7¾ - 7⅝
Swiss Franc	3 3/16 - 3 1/16	3 9/16 - 3 7/16	3 13/16 - 3 11/16	4⅛ - 4	4¾ - 4⅝	4⅝ - 4½
Can. Dollar	5 13/16 - 5½	6 - 5 13/16	6⅛ - 5 15/16	6⅞ - 6¾	7 11/16 - 7 9/16	8 5/16 - 8 3/16
US Dollar	5 9/16 - 5 7/16	5⅝ - 5½	5⅞ - 5¾	6 7/16 - 6 5/16	6⅞ - 6¾	7⅝ - 7½
Italian Lira	9 - 7½	8⅞ - 8¼	8 13/16 - 8 11/16	9 5/16 - 8 15/16	9¾ - 9⅝	10 7/16 - 10 3/16
Yen	2¼ - 2 1/16	2 3/16 - 2⅛	2⅜ - 2¼	2⅝ - 2⅜	2 7/16 - 2⅜	2⅝ - 2 5/16
Asian $Sing	3⅞ - 3⅝	4⅛ - 4⅛	3⅞ - 3½	4 3/16 - 4 1/16	4 9/16 - 4 7/16	4⅝ - 4½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.46	93.51	+0.11	93.55	93.33	32,862	51,066
Jun	92.95	93.00	+0.11	93.04	92.94	14,446	53,264
Sep	92.65	92.72	+0.10	92.75	92.65	6,671	32,187
Dec	92.44	92.47	+0.10	92.49	92.41	2,765	19,349

■ **THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.01	93.06	+0.07	93.01	93.01	36	1356
Jun		92.33	+0.06			0	613
Sep		91.90	+0.06			0	177
Dec		91.62	+0.02			0	0

■ **THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.61	94.61	-0.01	94.65	94.60	42783	202269
Jun	94.15	94.14	0.02	94.19	94.14	34723	143875
Sep	93.74	93.73	-0.02	93.78	93.72	18813	87171
Dec	93.34	93.33	-0.01	93.38	93.32	9853	67211

■ **THREE MONTH EUROLIRA INT. RATE FUTURES (LIFFE) L1000m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.79	89.80	+0.02	89.90	89.72	11881	35367
Jun	89.33	89.30	+0.03	89.39	89.23	3147	20821
Sep	88.96	89.00	+0.02	89.07	88.93	2617	27171
Dec	88.78	88.78	+0.02	88.85	88.74	1261	15106

■ **THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.73	95.67	-0.03	95.73	95.67	4546	20084
Jun	95.40	95.38	-0.02	95.40	95.38	1709	8657
Sep	95.11	95.07	-0.03	95.11	95.07	826	5598
Dec	94.87	94.82	-0.03	94.87	94.81	242	2756

■ **THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.34	93.34	+0.02	93.40	93.29	2622	9184
Jun	92.84	92.84	+0.01	92.91	92.82	802	5013
Sep	92.44	92.43	-	92.48	92.42	214	2947
Dec	92.04	92.03	-0.01	92.08	92.04	60	1530

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 11		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.14	16.77	4.853	2.044	5143	5.443	21.29	500.9	421.9	23.72	4.067	2.026	4.466	3.160	315.6	2.564
Denmark	(DKr)	52.24	10	8.760	2.535	1.068	2687	2.843	11.12	261.7	220.4	12.39	2.125	1.058	2.333	1.651	164.9	1.340
France	(FFr)	59.64	11.42	10	2.894	1.219	3067	3.246	12.70	298.7	251.6	14.15	2.426	1.208	2.664	1.885	188.2	1.529
Germany	(DM)	20.61	3.944	3.455	1	0.421	1060	1.121	4.386	103.2	86.94	4.887	0.838	0.417	0.920	0.651	65.03	0.528
Ireland	(I£)	48.93	9.366	8.204	2.375	1	2516	2.663	10.42	245.1	206.4	11.61	1.990	0.991	2.185	1.546	154.4	1.255
Italy	(L)	1.944	0.372	0.326	0.094	0.040	100.	0.106	0.414	9.740	8.204	0.461	0.079	0.039	0.087	0.061	6.136	0.050
Netherlands	(Fl)	18.37	3.517	3.081	0.892	0.376	944.9	1	3.911	92.04	77.52	4.358	0.747	0.372	0.821	0.581	57.98	0.471
Norway	(NKr)	46.97	8.991	7.876	2.280	0.960	2416	2.557	10	235.3	198.2	11.14	1.911	0.951	2.098	1.484	148.2	1.205
Portugal	(Es)	19.96	3.821	3.347	0.969	0.408	1027	1.087	4.250	100.	84.23	4.735	0.812	0.404	0.892	0.631	63.00	0.512
Spain	(Pta)	23.70	4.537	3.974	1.150	0.484	1219	1.290	5.046	118.7	100.	5.622	0.964	0.480	1.059	0.749	74.80	0.608
Sweden	(SKr)	42.16	8.070	7.069	2.046	0.862	2168	2.295	8.975	211.2	177.9	10	1.715	0.854	1.883	1.332	133.0	1.081
Switzerland	(SFr)	24.59	4.706	4.123	1.193	0.502	1264	1.338	5.234	123.2	103.7	5.832	1	0.498	1.098	0.777	77.59	0.630
UK	(£)	49.37	9.450	8.278	2.396	1.009	2539	2.687	10.51	247.3	208.3	11.71	2.008	1	2.205	1.560	155.8	1.266
Canada	(C$)	22.39	4.286	3.754	1.087	0.458	1151	1.219	4.766	112.2	94.47	5.311	0.911	0.454	1	0.707	70.66	0.574
US	($)	31.65	6.058	5.306	1.536	0.647	1628	1.722	6.737	158.5	133.5	7.506	1.287	0.641	1.413	1	99.87	0.812
Japan	(Y)	31.69	6.065	5.313	1.538	0.648	1630	1.725	6.746	158.7	133.7	7.516	1.289	0.642	1.415	1.001	100.	0.813
Ecu		39.00	7.464	6.539	1.893	0.797	2006	2.122	8.302	195.3	164.5	9.250	1.586	0.790	1.742	1.232	123.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES (IMM) DM 125,000 per DM**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6540	0.6521	-0.0015	0.6549	0.6515	39,392	74,459
Jun	0.6545	0.6548	-0.0018	0.6555	0.6543	197	2,063
Sep	-	0.6596	+0.0011	-	-	4	150

■ **JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0059	1.0077	+0.0017	1.0114	1.0045	24,874	83,294
Jun	1.0190	1.0202	+0.0021	1.0209	1.0189	67226	7,963
Sep	-	1.0315	-0.0028	-	-	8	363

■ **SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7840	0.7793	-0.0038	0.7847	0.7786	26,808	38,910
Jun	0.7849	0.7854	-0.0040	0.7856	0.7846	217	919
Sep	-	0.7920	-	-	0.7910	10	63

■ **STERLING FUTURES (IMM) £62,500 per £**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5630	1.5604	-0.0008	1.5636	1.5598	10,824	55,128
Jun	-	1.5600	-	1.5640	1.5600	330	883
Sep	-	1.5600	-	1.5630	-	5	4

UK INTEREST RATES

LONDON MONEY RATES

Jan 11	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 4	5 15/16 - 5⅝	6 1/16 - 5 15/16	6½ - 6⅜	7 - 6⅞	7¾ - 7⅝
Sterling CDs	-	-	5 15/16 - 5⅞	6 13/16 - 6 11/16	6 13/16 - 6¾	7⅝ - 7½
Treasury Bills	-	-	5⅞ - 5¾	6¼ - 6⅛	-	-
Bank Bills	-	-	5⅞ - 5 13/16	6⅜ - 6¼	6⅞ - 6¾	-
Local authority deps.	5 13/16 - 5 11/16	5 15/16 - 5 11/16	6 1/16 - 5 15/16	6 5/16 - 6 3/16	7 1/16 - 6 15/16	7 13/16 - 7 11/16
Discount Market deps	6¼ - 5	5⅞ - 5¾	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	2½	5¼	5½	5¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 5.9033pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1995

■ ***THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%***

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.75	92.90	+0.14	92.95	92.72	66570	91143
Jun	92.02	92.18	+0.15	92.23	91.98	38085	71434
Sep	91.50	91.66	+0.14	91.72	91.48	17580	62708
Dec	91.16	91.30	+0.12	91.35	91.12	9700	46130

Also traded on APT. All Open Interest figs. are for previous day.

■ **SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%**

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9275	0.28	0.15	0.12	0.13	0.72	1.21
9300	0.14	0.09	0.08	0.24	0.91	1.42
9325	0.06	0.05	0.05	0.41	1.12	1.64

Est. vol. total, Calls 12751 Puts 13485. Previous day's open int., Calls 96738 Puts 88956

EMS EUROPEAN CURRENCY UNIT RATES

Jan 11	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Belgium	40.2123	39.1342	+0.0212	-2.68	9.75	20
Netherlands	2.19672	2.13078	+0.00199	-3.00	10.12	22
Germany	1.94964	1.89992	+0.00136	-2.55	9.61	25
Austria	13.7167	13.3698	-	-2.53	9.58	-
Ireland	0.808628	0.799354	+0.000776	-1.15	8.05	8
France	6.53883	6.55882	-0.00698	0.31	6.48	-3
Denmark	7.43679	7.48141	-0.00383	0.60	6.17	-4
Portugal	192.854	195.788	-0.333	1.52	5.21	-10
Spain	154.250	164.755	-0.731	6.81	0.00	-48
NON ERM MEMBERS						
Greece	264.513	295.289	+0.291	11.63	-4.32	-
Italy	1793.19	2009.41	+2.52	12.06	-4.68	-
UK	0.786749	0.790559	-0.000454	0.48	6.30	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)**

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
1.500	6.00	5.97	6.21	-	0.04	0.32
1.525	3.51	3.73	4.20	-	0.29	0.79
1.550	1.16	1.96	2.56	0.05	0.96	1.62
1.575	0.02	0.80	1.44	1.41	2.28	2.88
1.600	-	0.24	0.71	3.79	4.16	4.62
1.625	-	0.03	0.30	6.29	6.44	6.69

Previous day's vol., Calls 20,842 Puts 8,710 . Prev. day's open int., Calls 228,061 Puts 256,253

■ **THREE MONTH EURODOLLAR (IMM) $1m points of 100%**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	92.99	93.07	+0.08	93.08	92.99	152,124	452,221
Jun	92.27	92.34	+0.08	92.37	92.25	167,426	396,748
Sep	91.85	91.92	+0.08	91.95	91.84	76,977	288,639

■ **US TREASURY BILL FUTURES (IMM) $1m per 100%**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.70	93.76	+0.08	93.77	93.70	2,972	12,865
Jun	93.00	93.05	+0.08	93.07	93.00	737	3,936
Sep	92.63	92.62	+0.07	92.63	92.62	435	1,356

All Open Interest figs. are for previous day

■ **EUROMARK OPTIONS (LIFFE) DM1m points of 100%**

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
9450	0.12	0.17	0.20	0.12	0.01	0.06	0.09	0.48
9475	0	0.04	0.07	0.06	0.14	0.18	0.21	0.67
9500	0	0.01	0.02	0.03	0.39	0.40	0.41	0.89

Est. vol. total, Calls 14547 Puts 7287. Previous day's open int., Calls 145783 Puts 175987

■ **EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%**

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9550	0.24	0.19	0.16	0.07	0.33	0.59
9575	0.10	0.10	0.09	0.18	0.49	0.77
9600	0.02	0.05	0.04	0.35	0.69	0.97

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1385 Puts 1665

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	6.5	Singer & Friedlander	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	●Smith & Williamson Secs.	6.25
Bank of Baroda	6.25	Girobank	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	●United Bk of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	*Mount Banking	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

● Members of London Investment Banking Association
* In administration

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 11 / Sch)

BELGIUM/LUXEMBOURG (Jan 11 / Frs.)

DENMARK (Jan 11 / Kr)

FINLAND (Jan 11 / Mkka)

FRANCE (Jan 11 / Frs.)

GERMANY (Jan 11 / Dm.)

ITALY (Jan 11 / Lire)

NETHERLANDS (Jan 11 / Fls.)

NORWAY (Jan 11 / Kroner)

SPAIN (Jan 11 / Ptas.)

SWEDEN (Jan 11 / Kronor)

SWITZERLAND (Jan 11 / Frs.)

PACIFIC

JAPAN (Jan 11 / Yen)

AUSTRALIA (Jan 11 / AusS)

HONG KONG (Jan 11 / H.K.$)

MALAYSIA (Jan 11 / MYR)

SINGAPORE (Jan 11 / S$)

NORTH AMERICA

CANADA

TORONTO (Jan 11 / Can $)

4 pm close

MONTREAL (Jan 11 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jan 11 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994-95 except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT8186. Ring 081 770 0770 open 24 hours including weekends or fax 081 770 3822. If calling from outside the UK, dial +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent on the next working day, subject to availability.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, January 11, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Paint	9.5m	755	+28	Honshu Paper	3.8m	708	+14
Sumitomo Mtl Ind	8.2m	323	+10	Kawasaki Steel	3.5m	400	+2
Nippon Steel	5.2m	368	+1	Hachijuni Bank	3.5m	1200	+10
Mitsubishi Hvy	5.0m	738	+2	Yamagata Bank	2.2m	595	-24
Kobe Steel	3.9m	308	+7	Clarion	2.1m	532	+4

INDICES

Switzerland

	Jan 11	Jan 10	Jan 9	1994/5 High		Low	
Swiss Bk Ind (31/12/58)	1230.38	1231.57	1239.13	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	917.39	918.29	923.09	1083.29	31/1/94	876.57	27/10/94
Taiwan							
Weighted Pr. (30/6/66)**	6777.24	6756.83	6869.08	7191.13	30/9/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1314.35	1325.99	1347.98†	1753.73	4/1/94	1198.58	4/4/94
Turkey							
Istanbul Cmp.(Jan 1986)	27097.1	26872.8	26867.7	29146.10	2/12/94	12980.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	614.2*	612.3	610.4	649.90	2/11/94	591.60	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1314.96	1312.88	1323.64	1540.19	31/1/94	1286.48	5/10/94
Euro Top-100 (26/6/90)	1163.01	1166.38	1167.56	1311.01	2/2/94	1138.48	5/10/94
JCapelDrgns (31/12/88)	(u)	284.18	286.50	395.18	5/1/94	284.18	11/1/95
Barings Emerg.(7/1/92)	137.81	142.52	149.82	191.79	26/9/94	141.85	21/4/94

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jan	1865.0	1854.0	-13.0	1874.0	1853.0	19,152	24.350
Feb	1875.5	1863.5	-13.0	1876.5	1864.0	784	1.464
Mar	1884.5	1872.0	-13.0	1889.0	1874.0	858	20.110

Open interest figures for previous day.

...es of all indices are 100 except: Australia All Ordinary and ..., Euro Top-100, ISEQ Overall, Toronto Comp./Metals & ... SE All Common - 50 and Standard and Poor's - 10. §§ ... Jan 11 - 2061.78 -0.32.

US INDICES

Dow Jones	Jan 10	Jan 9	Jan 6	1994/5 High	Low	Since compilation High	Low
Industrials	3866.74	3861.35	3867.41	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.04	93.85	93.84	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1501.49	1505.56	1501.37	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	184.09	183.83	184.35	227.06 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3912.49 (3889.28) Low 3844.87 (3834.44) (Theoretical♠)
Day's high 3838.70 (3874.48) Low 3862.03 (3863.28) (Actual♠)

Standard and Poors	Jan 10	Jan 9	Jan 6	1994/5 High	Low	Since compilation High	Low
Composite ‡	461.68	460.83	460.68	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials ♥	549.05	547.82	547.44	583.10 (28/10/94)	510.05 (21/4/94)	583.10 (28/10/94)	3.62 (21/6/32)
Financial	42.27	42.16	42.11	48.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	251.69	251.58	251.58	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	434.49	434.17	433.12	487.89 (2/2/94)	430.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	756.52	752.09	749.69	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jan 6	Dec 30	Dec 23	Year ago
Dow Jones Ind. Div. Yield	2.76	2.79	2.78	2.65
	Jan 4	Dec 28	Dec 21	Year ago
S & P Ind Div. yield	2.45	2.44	2.45	2.40
S & P Ind P/E ratio	18.71	18.76	18.68	27.43

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	464.10	465.55	+1.36	466.10	463.75	73,035	200,354
Jun	469.65	469.70	+1.50	470.00	469.65	813	9.178
Sep	-	475.50	-	475.50	-	52	2.760

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Telefonos	16,593,100	33¼	-3⅛
RJR Nabisco	7,781,500	5⅞	-⅛
Motorola	5,777,300	61⅛	+3
IBM	4,685,300	76¾	+1¼
Grupo Tel	4,087,900	22	-3⅞
Grupo Trib	3,816,600	9⅝	-1¾
Compaq	3,770,500	41⅞	+1½
Ford Motor	3,372,400	28¾	-½
Empress	3,183,300	9½	-1
Pet Inc	3,174,400	25½	----

■ TRADING ACTIVITY

● Volume (million)

	Jan 10	Jan 9	Jan 6
New York SE	351.267	278.718	308.075
Amex	22.104	18.957	22.200
NASDAQ	324.549	245.055	287.216
NYSE			
Issues Traded	2,947	2,919	2,933
Rises	1,444	1,180	1,223
Falls	1,131	1,007	959
Unchanged	672	732	751
New Highs	60	29	28
New Lows	118	60	62

† Correction. * Calculated at 15.00 GMT ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close January 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅜	11⅞	AAR	0.48	3.6	24	116	13⅝	13⅜	13½	
19⅞	12⅝	A L Labs A	0.18	0.9	45	302	u19⅞	19½	19⅞	
79⅜	57⅝	AMP	1.68	2.3	22	1367	74⅛	73⅝	74	+⅛
72¾	48⅛	AMR			119	5951	56½	55⅜	56	-⅝
56⅛	33⅝	ASA	2.00	4.4	23	1441	45⅞	44	45¼	+1½
33⅞	25⅜	AbbtL	0.76	2.4	17	17186	31½	30¾	31½	+¼
15¼	11⅜	Abitibi Pr	0.50	3.7	12	215	13⅝	13½	13⅝	
23⅞	17¾	ABM Ind	0.60	2.7	13	41	22¾	22⅜	22⅝	
18	11⅛	Acpancein			12	330	16¼	16	16½	
31	20¾	ACE Ltd	0.44	1.9	24	72	22⅞	22⅞	22⅞	
12½	9	ACM Gvt In x	1.09	11.7	3	739	9½	9¼	9⅜	+⅛
10⅛	6⅞	ACM GvOpp	0.80	10.8		137	7⅜	7¼	7⅜	
10⅝	6¾	ACM Gvt Sp x	0.96	13.5		253	7⅛	7⅛	7⅛	-¼
12	7⅝	ACM Gvt Se x	1.09	13.5		863	8⅞	8⅛	8⅛	-⅛
11¾	7⅞	ACM Man x	1.08	13.1		215	8¼	8⅛	8¼	-⅛
9¼	7¼	ACM Managd x	0.72	9.8		474	7½	d7¼	7⅜	
15½	8¾	AcmeCtr	0.44	4.0	22	123	11½	11	11⅛	-⅛
15	6½	Acme Elect			15	403	u15	13⅝	15	+1⅛
33½	25	Acordia	0.60	1.8	17	18	u33½	33¼	33⅜	-⅛
13¾	5¾	Actava	0.36	4.1	2	330	9⅛	8⅞	8⅞	-¼
18⅜	11¼	Acuson			25	258	15½	15	15⅜	-⅛
18⅜	15½	Adams Expr	0.68	4.3	0	131	15⅞	15¾	15¾	
84	46½	Ad Micro	3.00	5.1		91	59⅞	58	58⅞	-⅞
31¾	16¾	AdvMtc	3.00	10.5	8	7812	29¼	28¼	28⅝	-½
6⅞	5	Advest Grp	0.16	3.1	15	13	5⅛	5⅛	5⅛	+⅛
20	15	Advo Inc	0.10	0.6	16	108	17¾	17½	17⅝	-⅛
65¾	49⅜	Aegon ADR	1.47	2.2	12	13	u65¾	65⅝	65¼	-¼
65¾	42¼	AetnaL	2.76	5.7	6	2629	48½	47⅞	48¼	

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

NYSE COMPOSITE PRICES

4 pm close January 11

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
17⅞	11½	SFeGd			26	23430	12¼	d11½	12⅛	+⅝
34⅞	30½	SFePPipe	2.80	8.1	8	143	u34⅞	34¼	34½	-⅛
26¾	12⅛	SanFeP	0.10	0.6	14	4483	17⅞	17⅝	17¾	+⅛
25⅛	19⅜	SaraLee	0.68	2.6	56	3850	25⅞	25½	25⅞	+⅛
50⅛	41	Scana Corp	2.82	6.6	12	215	42¾	42½	42⅝	
20½	12½	Scecrp	1.00	6.7	9	4074	15¼	14⅞	15	-⅛
45½	31¾	ScheringP			28	581	43⅛	42¾	42¾	-⅜
75⅞	54½	SchPl	2.04	2.8	15	11443	72¾	71	71⅞	-1¼
63	50	Schlmb	1.20	2.4	24	6106	51⅛	50⅝	51	+⅛
37	23¾	Schwab(C)	0.28	0.8	18	1376	36	35⅛	35⅝	
10¾	8⅛	Schweitzer			7	103	8⅛	8	8	
22¾	12½	SciAtl	0.06	0.3	37	1946	20	19⅞	19⅝	-⅛
18¼	13	Scotsman	0.10	0.6	12	156	17⅜	17	17	-⅜
70⅝	37¼	ScottP	0.80	1.1	21	2649	70⅜	69⅞	69⅞	-⅜
28⅝	18½	ScudderNAsF	0.02	0.1		234	19⅞	19½	19⅝	-⅜
12⅝	8¾	ScuddrNEuF	0.16	1.8		318	9	8⅞	8⅞	-⅛
18¼	12	SeaCoB	0.70	4.7	9	12	14¾	14¾	14¾	+¼
18½	14¼	SeaCT.4625	1.46	9.7		z100	15⅛	15⅛	15⅛	
28	22⅞	S'gate			9	16732	u28	26⅛	27	-½
32⅝	28¼	Seagram	0.60	2.0	14	3701	29¾	29⅜	29¾	+¼
29¾	17⅛	Seagull En			20	10284	18	d17⅛	17⅞	-⅝
37	26⅝	Sealed Air			22	277	u37	36	37	-½
55⅛	42⅛	SearsR	1.60	3.3	14	10396	48⅜	47⅝	48	+¼
13¾	9¾	Seligm Sel	0.84	7.6		122	11⅛	10⅞	11⅛	+¼
38⅛	26	Sensormat	0.22	0.6	27	2798	34¼	33⅞	33⅞	-⅛
39¾	17⅝	SequaA	0.60	2.7	8	73	23½	22⅝	22⅝	-1
40¼	21	SequaB	0.50	2.0	13	15	25¾	25¼	25¼	
28⅛	22½	ServCp	0.42	1.5	19	4575	u28⅛	27½	28	+⅝
28⅛	21½	SvMstr	0.92	4.0	13	349	23½	23	23¼	-¼

AMEX COMPOSITE PRICES

4 pm close January 11

NASDAQ NATIONAL MARKET

4 pm close January 11

AMERICA

Dow slips as rising rates worries return

Wall Street

Early gains made by US shares after the release of lower than expected inflation data proved impossible to sustain yesterday morning as worries continued about rising interest rates, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average was down 17.49 at 3,849.25 and the Standard & Poor's 500 lost 1.97 at 459.71. The American Stock Exchange composite fell 0.66 to 433.83 and the Nasdaq composite was down 3.17 at 753.35. Trading volume on the NYSE came to 200m shares.

The Dow jumped more than 16 points at the opening bell, after the Labor department released data showing the consumer price index, the main measure of US inflation, had increased by 0.2 per cent in December, putting the year-on-year 1994 figure at 2.7 per cent. Leaving aside the volatile food and energy components, the core CPI gained 0.1 per cent in December and 2.6 per cent over the year, the lowest level since 1965.

The drop in share prices was attributed partly to the fact that, in spite of the low level of consumer inflation, most analysts held to the belief that the Federal Reserve would raise interest rates again at the January 31-February 1 meeting of its open market committee. The Fed has consistently cited inflationary pressures at deeper levels in the economy, rather than actual inflation data, as its rationale for putting up rates.

Like the stock market, bonds initially rallied on the inflation news, but then sank back to trade nearly flat in light activity.

Also contributing to the declining market were continued losses by American Depository Shares of Mexican companies. After rallying early in the morning, Telmex added to recent sharp losses, falling $⅝ at $32⅞. Vitro lost $⅛ at $10⅞ and Empresas ICA was off $⅞ at $8⅞. Some Mexican shares did manage to make up lost ground. Grupo Televisa gained $1¼ at $22¼.

Biogen, down $4 at $38¼, lost more than 9 per cent of its value after Schering, the German pharmaceuticals company, received a patent to manufacture a multiple-sclerosis drug. It remained unclear whether the patent will prevent Biogen, which at midday was among the most actively traded shares on the NYSE, from marketing a similar drug it had been developing.

Canada

Toronto was lower at midday, giving up almost all of Tuesday's gains as energy stocks and banks pulled the market lower. The TSE-300 index fell 27.79 to 4,164.07 in heavy volume of 40.5m shares.

The oil and gas sector lost 1.9 per cent in response to lower natural prices. Financial services lost 1.4 per cent, Canadian Imperial Bank of Commerce falling C$⅝ to C$32⅛.

Laidlaw, the transportation and waste management company, rose C$⅜ to C$11⅞ in response to results.

Mexico recovers slightly

Traces of calm peppered the region in midsession trading yesterday, although the Lima stock exchange was off nearly 5 per cent, following a fall of 8 per cent on Tuesday, its biggest one-day drop in six years. Volume throughout the region remained low.

Mexico

Equities managed to recoup some losses by midsession, with sentiment encouraged slightly by comments from President Bill Clinton, who said that he had told the US Treasury and the Federal Reserve to take measures to help Mexico overcome its financial crisis. Mr Clinton added that he was also prepared to authorise fresh credits to help Mexico meet short-term debt payments.

The IPC index, down to 1,840 at one stage in the morning, recovered to 1,878.59, off a net 4.7 per cent.

Brazil

The midsession situation in São Paulo remained nervous, although the Bovespa index had picked up 5.5 per cent to stand at 34,488. Some local brokers commented that they believed the market had touched bottom and that foreign investors were now searching for bargains.

Argentina

The market was modestly firmer, with the Merval index up 1.6 per cent at 381.05. The finance minister, speaking to investors in New York, said that the government had ruled out a devaluation of the currency, and forecast economic growth of between 4.5 to 6.5 per cent in 1995.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Jan. 6 1995	% Change over week	% Change on Dec '94	Local currency terms Jan. 6 1995	% Change over week	% Change on Dec '94
Latin America	(207)	525.53	-9.4	-9.4			
Argentina	(24)	712.07	-3.0	-3.0	437,117.11	-3.0	-3.0
Brazil	(57)	348.96	-9.2	-9.2	1,095,510,261	-10.1	-10.1
Chile	(25)	769.49	-2.0	-2.0	1,247.17	-1.2	-1.2
Colombia[1]	(11)	864.56	+6.5	+6.5	1,281.76	+7.2	+7.2
Mexico	(67)	517.11	-14.8	-14.8	1,231.15	-4.5	-4.5
Peru[2]	(11)	182.71	+2.5	+2.5	244.34	+2.7	+2.7
Venezuela[3]	(12)	467.27	-5.6	-5.6	1,824.73	-5.6	-5.6
Asia	(558)	243.82	-2.2	-2.2			
China[4]	(18)	71.49	-5.8	-5.8	76.27	-5.8	-5.8
South Korea[5]	(156)	127.69	-6.6	-6.6	132.84	-6.3	-6.3
Philippines	(19)	293.55	-1.5	-1.5	347.16	-1.2	-1.2
Taiwan, China[6]	(90)	159.19	-3.2	-3.2	157.23	-3.1	-3.1
India[7]	(76)	118.85	-3.8	-3.8	132.44	-3.8	-3.8
Indonesia[8]	(38)	103.85	+4.1	+4.1	123.95	+4.1	+4.1
Malaysia	(104)	260.76	-3.0	-3.0	245.53	-3.1	-3.1
Pakistan[9]	(15)	372.13	+1.6	+1.6	519.98	+1.6	+1.6
Sri Lanka[10]	(5)	177.63	+3.3	+3.3	191.84	+3.4	+3.4
Thailand	(55)	387.28	+1.0	+1.0	386.43	+1.1	+1.1
Euro/Mid East	(125)	116.33	-1.8	-1.8			
Greece	(25)	227.67	+0.9	+0.9	373.05	+1.5	+1.5
Hungary[11]	(5)	152.64	+0.6	+0.6	207.91	+0.6	+0.6
Jordan	(13)	151.55	+1.0	+1.0	224.06	+0.8	+0.8
Poland[12]	(12)	464.08	-1.1	-1.1	714.11	-0.8	-0.8
Portugal	(25)	119.36	-1.4	-1.4	131.50	-0.7	-0.7
Turkey[13]	(40)	117.24	-3.7	-3.7	2,217.61	+0.2	+0.2
Zimbabwe[14]	(5)	249.81	+2.1	+2.1	308.14	+2.2	+2.2
Composite	(890)	290.73	-5.4	-5.4			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)June 2 1993.

If 1994 saw the craze for emerging markets abate – equity investment by overseas institutions is expected to reveal a substantial fall from the inflated levels of 1993 – then 1995 could witness a full-scale retreat, *writes John Pitt.*

Summing up the present mood, Mr Steven Nagourney, global strategist at Lehman Brothers, notes that while emerging markets are here to stay, "it is the cyclical aspects of the emerging markets story that has come to an end, driven home by the collapse of the Mexican peso".

He points out that the recent growth in the world's emerging economies was totally tied to the shift of capital from the OECD countries to "the incredibly capital-short developing world; the flood of capital into these developing world countries as a group stimulated what was already robust growth, driving total domestic demand in those countries to non-sustainable heights". As a consequence current account deficits have worsened – clearly shown by the crisis in Mexico.

While Latin America's financial markets continue to plumb new depths, a number of investment houses have taken a longer term view on the region and found some cause for optimism. Baring Securities, for instance, believes that overall prospects, with the exception of Mexico, remain bright. The US broker admits that confidence in the region has been damaged, but notes that other countries do not face Mexico's liquidity problems. Furthermore, it believes that the Brazilian story remains bright, recommends an overweight position – as does Kleinwort Benson, of the UK – and expects important structural changes to the economy here during the first six months of 1995, followed by the commencement of a privatisation programme in the second half.

EUROPE

Credito subsides after higher Rolo bid

Better than expected US CPI figures gave bourses a lift, but they fell back later as domestic bond markets took profits, *writes Our Markets Staff.* Meanwhile, Schering, in Germany, and Credito Italiano demonstrated that big corporate stories could still have an impact.

MILAN grew increasingly expectant that President Oscar Luigi Scalfaro was close to naming the head of an institutional government to take over from Mr Silvio Berlusconi. The Comit index rebounded 6.81 to 626.17 in nervous and largely technical trade, with many investors hoping that Mr Mario Monti, the economics professor and EU Commissioner given responsibility for the single market, would be asked to form the next government.

Credito Italiano turned back from a high of L1,797 to finish L13 lower on balance at L1,754 after news late in the day that the board had given the go-ahead to raise the value of its bid for Credito Romagnolo. Carimonte, seen as a potential ally for Italiano, said during the day that it was ready to take "opportune initiatives" in the battle for control of Rolo, which advanced L458 to L19,870 as the Cariplo share offer began.

FT-SE Actuaries Share Indices

Jan 11 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	
FT-SE Eurotrack 100	1313.26	1313.72	1314.04	1313.21	1313.96	1315.77	1315.70	1314.96
FT-SE Eurotrack 200	1375.49	1376.19	1375.04	1375.43	1375.25	1379.06	1378.69	1377.57

	Jan 10	Jan 9	Jan 6	Jan 5	Jan 4
FT-SE Eurotrack 100	1312.66	1323.64	1327.30	1328.96	1337.95
FT-SE Eurotrack 200	1373.53	1380.11	1384.14	1379.66	1390.66

Base 1000 (26/10/90); Highday: 100 - 1317.22; 200 - 1379.51 Lowday: 100 - 1311.38 200 - 1373.09 † Partial

Montedison rose L26 to L1,178 in heavy volume of 46.1m shares on news of the accord with the US Federal Trade Commission, clearing the way for its joint polypropylene venture with Royal Dutch/Shell.

FRANKFURT's Dax index held Tuesday's post-bourse levels on the session to close at 2,061.05, and ended the afternoon at an Ibis-indicated 2,061.76, down 0.32, after 2,067.58. Turnover rose from DM4.4bn to DM5.2bn.

Schering jumped DM24 to DM1,032. Mr Mark Tracey at Goldman Sachs noted that the company had been granted a patent to make a new variety of the multiple sclerosis drug beta interferon in the US; and that the news had done one of its US competitors, Biogen, considerable harm in the share price department.

Volkswagen fell after its Mexican unit said, late on Tuesday, that it was suspending production of all models during the week of January 23 to 27 in reaction to the shrinking of the national auto market caused by Mexico's currency crisis. The shares fell DM2.20 to DM417.80, but analysts were impressed by the speed with which VW had reacted.

PARIS made an effort to rally before a mild sell-off, in line with weakness in New York, brought it back to a close of 1,849.13, down 10.06.

BZW yesterday upgraded the French market to overweight, partly in view of what it perceived as the "clearer political outlook" following the recent decision by Mr Jacques Delors not to run in the presidential race, and also as a consequence of strong economic growth, estimated to be around 3.5 per cent in 1995.

The broker forecast that the CAC-40 index would rise to the 2,200 level by the year-end.

Peugeot and Renault reacted to sales figures: the former lost FFr17 to FFr728 as it forecast a sales gain of just 1 per cent this year; Renault slipped just FFr1.0 to FFr169.8 on a 27 per cent rise in 1994 truck and heavy vehicle sales.

Elf Aquitaine, off Fr4.50 to FFr361.50, did not have time to react to a NatWest Securities upgrade out of New York, while Crédit Lyonnais CIs lost another 2 per cent or FFr9 at FFr411 following negative news earlier in the week.

Legrand, the electrical materials group, lost FFr70 at FFr6,280 before saying that it would maintain the interim dividend at FFr29 a share.

MADRID was unable to dig itself out of its politically inspired downward spiral, the general index closing 2.65 off at yet another 1994-95 low of 275.35.

Falls in futures outpaced the cash market, the Ibex 35 index losing 30.09 at 2,957.70 but the Ibex January future ending 54.5 down at 2,935.0, putting futures at a discount to cash.

Turnover stayed active at Pta33.9bn. Telefónica dropped Pta60 or nearly 4 per cent to Pta1,505, dealers blaming the financial crises in Latin America where the Spanish telecommunications group has substantial interests.

ZURICH picked up from its lows in the wake of the US data, the SMI index finishing 3.4 down at 2,597.0.

A SFr30 fall in Roche certificates to SFr6,310 was attributed to one large sell order, while among the banks, SBC resumed its upward trend, firming SFr4 to SFr381 after its consolidation of the previous two sessions.

AMSTERDAM's AEX index lost a net 1.23 at 411.73 after a late upturn. Polygram put on Fl 1 at Fl 80.70 after positive comment on its acquisition of ITC Entertainment; but VNU, the publishing and media group, dropped Fl 2.10 to Fl 175.90, dealers saying that a big US house had downgraded the stock.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Sharp late reversal leaves Hong Kong lower

Hong Kong

Equities in Hong Kong staged a sharp reversal late in the day in derivatives driven trade, with Morgan Stanley and S.G. Warburg both said to have been heavy sellers in the last half-hour of trading.

The Hang Seng index ended 148.97 down at 7,392.75 after a day's peak of 7,726.06, but in subsequent London trading the indicative index picked up 76 to 7,469. Domestic turnover was little changed at HK$4.2bn.

Among blue chips, Henderson Land lost a net 70 cents at HK$33.50 after rising to HK$35.10 and Sun Hung Kai Properties was off HK$1.90 at HK$38.10 after HK$40.80.

Tokyo

Stock prices gained marginal ground as trading volume recovered slightly, supported by purchases by overseas investors and arbitrageurs, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average added 47.02 at 19,548.47 after a day's low of 19,480.44 and high of 19,603.20. A rise in the futures market prompted arbitrage linked buying, while overseas investors purchased steels and trading companies and sold electrical machinery issues.

Volume totalled 220m shares, topping 200m for the first time this year. However, although overseas investors were active traders, domestic institutions remained on the sidelines.

The Topix index of all first section stocks rose 6.92 to 1,535.14, while the Nikkei 300 put on 1.54 at 283.02. Advances led declines by 493 to 430, with 214 issues unchanged. In London the ISE/Nikkei 50 index edged up 0.02 to 1,277.30.

Individual investors, who had been trading over-the-counter stocks actively due to the lack of activity in the other domestic stock markets, continued to purchase small company stocks. Trading on the OTC market expanded to a record 32.3m shares, the highest since March 10, 1989, while the Nikkei OTC index rose 30.79 to 1,852.15 on a preliminary basis.

"Some investors are shifting to the OTC market, which is likely to be unaffected by corporate sellers and banks, which want to supplement earnings by taking profits on unrealised shareholdings," said Mr Yasuo Ueki at Nikko Securities.

On the first section, steelmakers advanced on buying by overseas investors. Reports that Nippon Steel and Kawasaki Steel were considering joint production of seamless pipes prompted active buying of the sector. Sumitomo Metal gained Y10 at Y328 and Nippon Steel firmed Y1 to Y368.

Komatsu, the construction machinery maker, moved ahead Y20 to Y884 on reports that it would develop a new personal computer with IBM.

Speculative shares were actively traded. Nippon Paint, the most active issue of the day, climbed Y28 to Y755 and Clarion added Y4 at Y532.

Brokerage issues, which had faced selling during the past few days on worries over earnings due to low market volume, recovered.

In Osaka, the OSE average improved 53.59 to 21,380.21 in volume of 29.8m shares.

Roundup

Independent Strategy, the investment research consultancy, cut the Singapore equity weighting in its global mixed asset model portfolio and switched the money into Hong Kong and US equities. Independent Strategy noted that Singapore had outperformed Hong Kong by 20 per cent since early September, but said confidence in Singapore's safe haven status was vulnerable to negative shocks.

KUALA LUMPUR felt the influence of Hong Kong in late nervous trade, but gains in some key blue chips helped to push the composite index 2.12 points higher to 925.50, having lost 32 points over the previous two sessions.

SINGAPORE finished higher but gains were pared in late trading, with sentiment dented by the sharp downturn in Hong Kong. The Straits Times Industrial index finished a net 8.49 up at 2,145.69 after a day's high of 2,153.80.

KARACHI dropped 1.6 per cent on late, foreign investor selling of blue chips, the KSE 100 index losing 32.04 at 2,022.77. In MANILA, foreign selling hit Ayala Land, which slipped 4.3 per cent to 33.50 pesos, and the composite index closed 26.21 lower at 2,631.47.

JAKARTA was brought down by weakness in Indosat, the telecommunications group, which fell Rp150 to Rp7,575 as the JKSE composite index shed 7.29 or 1.6 per cent to 461.40.

SEOUL closed firmer in moderate trading after blue chips staged a technical rebound following their long correction period. The composite index was ahead 5.64 at 999.06 after reaching 1,006.83.

WELLINGTON was the best of the day, boosted by a strong showing in forestry stocks and Telecom. The NZSE-40 index advanced 20.99 to 1,945.16.

SOUTH AFRICA

Industrials stabilised in afternoon trade after dropping earlier in the fallout from the Mexican crisis, but gold shares firmed. The overall index was 38 down at 5,636, industrials lost 62.7 at 6,834.8 and golds picked up 10.4 to 1,821.4.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JANUARY 10 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JANUARY 9 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	165.21	0.2	156.99	104.71	131.77	143.30	-0.2	4.02	164.80	157.18	105.02	133.14	143.62	189.15	161.21	171.16
Austria (16)	180.00	0.9	171.04	114.08	143.56	143.75	-0.4	1.13	178.40	170.15	113.69	144.12	144.38	198.89	167.46	188.51
Belgium (35)	168.20	0.6	159.82	106.59	134.15	131.32	-0.4	4.20	167.13	159.40	106.51	135.02	131.90	177.04	160.76	164.91
Brazil (28)	123.80	-10.6	117.63	78.46	98.73	193.46	-10.2	1.17	138.51	132.10	88.27	111.90	215.44	-	-	-
Canada (103)	127.96	0.3	121.58	81.09	102.05	131.04	0.9	2.63	127.60	121.69	81.31	103.08	129.84	145.31	120.54	141.23
Denmark (33)	255.05	0.7	242.36	161.64	203.42	209.82	-0.4	1.42	253.34	241.62	161.44	204.68	210.61	275.79	236.61	259.40
Finland (24)	195.86	1.7	186.10	124.13	156.21	195.85	1.1	0.71	192.50	183.60	122.68	155.51	193.68	201.41	133.88	134.32
France (102)	162.55	0.8	154.46	103.02	129.64	135.22	-0.4	3.17	161.24	153.78	102.75	130.25	136.71	185.37	159.34	180.83
Germany (58)	140.92	0.8	133.90	89.31	112.39	112.39	-0.5	1.85	139.76	133.30	89.06	112.90	112.90	160.40	128.37	139.31
Hong Kong (56)	298.33	0.2	283.47	189.07	237.94	297.25	0.3	4.19	297.67	283.91	189.70	240.48	296.41	493.01	297.67	471.12
Ireland (16)	210.01	0.4	199.55	133.10	167.50	191.22	-0.2	3.33	209.11	199.44	133.26	168.94	191.56	216.60	177.56	202.59
Italy (59)	72.98	-1.3	69.35	46.25	58.21	88.57	-1.6	1.78	73.94	70.52	47.12	59.74	90.02	97.78	65.87	65.87
Japan (484)	153.08	0.5	145.46	97.02	122.09	97.02	0.0	0.78	152.26	145.22	97.03	123.01	97.03	170.10	134.21	134.74
Malaysia (97)	449.21	-1.2	426.84	284.70	358.28	441.83	-1.1	1.91	454.51	433.49	289.65	367.19	446.86	594.78	430.71	576.28
Mexico (18)	1028.59	-15.8	977.35	651.87	820.36	6466.49	-6.0	1.58	1221.90	1165.39	778.67	987.11	6880.21	2647.08	1028.59	2407.58
Netherland (19)	216.97	0.8	206.16	137.51	173.05	170.38	-0.5	3.39	215.34	205.38	137.23	173.97	171.25	223.30	191.28	203.45
New Zealand (14)	71.20	1.4	67.65	45.12	56.79	59.05	0.9	4.95	70.18	66.94	44.72	56.70	58.51	77.59	62.05	69.97
Norway (23)	208.48	0.5	198.09	132.13	166.27	190.19	-0.5	1.74	207.47	197.87	132.21	167.60	191.11	214.65	177.53	190.78
Singapore (44)	358.19	-1.8	340.36	227.01	285.68	239.51	-1.9	1.79	364.80	347.93	232.47	294.71	244.13	401.38	294.66	366.19
South Africa (59)	317.81	-2.4	301.98	201.41	253.47	287.93	-0.9	2.29	325.67	310.61	207.54	263.10	290.42	342.00	205.55	278.48
Spain (38)	126.14	-0.3	119.86	79.94	100.61	127.68	-0.5	4.54	126.51	120.66	80.62	102.20	128.28	155.79	126.14	139.76
Sweden (46)	236.19	0.3	224.43	149.69	188.38	262.04	0.0	1.49	235.43	224.54	150.03	190.20	262.08	242.81	196.70	211.43
Switzerland (47)	166.06	0.8	157.79	105.24	132.44	132.28	-0.7	1.85	164.82	157.20	105.04	133.15	133.19	176.56	149.91	165.88
Thailand (46)	151.39	-2.2	143.85	95.94	120.74	147.61	-2.3	2.58	154.73	147.58	98.61	125.00	151.04	-	-	-
United Kingdom (205)	193.90	0.5	184.24	122.89	154.65	184.24	0.1	4.18	192.98	184.05	122.98	155.90	184.05	214.96	181.11	209.55
USA (513)	188.92	0.2	179.51	119.73	150.67	188.92	0.2	2.94	188.59	179.87	120.18	152.35	188.59	198.04	178.95	193.24
Americas (662)	173.84	-0.1	165.18	110.17	138.65	145.86	0.0	2.89	174.11	166.05	110.95	140.65	145.86	-	-	-
Europe (723)	167.93	0.5	159.57	106.43	133.94	149.28	-0.3	3.12	167.08	159.35	106.47	134.97	149.71	178.58	160.59	172.87
Nordic (126)	229.56	0.6	218.13	145.49	183.09	216.20	0.1	1.36	228.09	217.54	145.35	184.26	216.03	233.91	197.70	202.88
Pacific Basin (809)	159.46	0.4	151.52	101.06	127.18	105.25	-0.1	1.16	158.81	151.47	101.21	128.30	105.34	176.86	145.89	148.81
Euro-Pacific (1532)	162.90	0.5	154.78	103.24	129.92	122.62	-0.2	2.00	162.16	154.66	103.34	131.00	122.83	176.14	155.32	158.67
North America (616)	185.14	0.2	175.91	117.33	147.66	184.93	0.2	2.92	184.81	176.26	117.77	149.30	184.55	192.73	175.87	190.01
Europe Ex. UK (518)	150.32	0.5	142.83	95.27	119.89	128.75	-0.6	2.51	149.53	142.61	95.29	120.80	129.41	158.12	144.12	150.06
Pacific Ex. Japan (325)	224.70	-0.3	213.51	142.41	179.22	197.37	-0.5	3.38	225.46	215.04	143.68	182.14	198.32	281.75	224.17	282.74
World Ex. US (1740)	163.30	0.2	155.16	103.49	130.24	125.80	-0.3	2.01	162.98	155.44	103.86	131.67	126.14	176.65	157.61	161.05
World Ex. UK (2048)	168.48	0.2	160.09	106.78	134.37	141.16	-0.1	2.14	168.22	160.44	107.20	135.90	141.35	178.59	164.27	167.08
World Ex. Japan (1769)	182.02	0.0	172.95	115.35	145.17	173.34	-0.2	3.00	181.95	173.53	115.95	146.99	173.61	195.20	176.34	191.28
The World Index (2253)	170.72	0.2	162.22	108.20	136.16	145.04	-0.1	2.34	170.40	162.52	108.59	137.66	145.20	180.80	166.19	170.77

Latest prices were unavailable for this edition.